

**Section II: Processes, Policies & Summaries**

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**Section II:  
Processes, Policies &  
Summaries**

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**Section II: Processes, Policies & Summaries**  
*Table of Contents*

**Table of Contents**  
**Section II: Processes, Policies & Summaries**

	<u>Page</u>
City Manager’s Budget Message.....	II-1
Budget Cycle.....	II-12
2013-14 Biennial Budget Calendar.....	II-13
Ordinance No. 1820 .....	II-14
About the Budget.....	II-18
Description of Departments, Divisions and Funds .....	II-21
Revenues .....	II-26
Expenditures .....	II-27
Expenditure Objects.....	II-28
Financial Policies.....	II-29
Assets, Compensated Balances and Pensions .....	II-32
Statutory Debt Limitations.....	II-34
Schedule of Future Debt Service .....	II-35
Taxes .....	II-36
License & Permit Revenue .....	II-38
Intergovernmental Revenue.....	II-38
Charges for Services Revenue .....	II-39
Fines and Forfeits Revenue.....	II-40
Miscellaneous Revenue .....	II-40
Other Sources .....	II-41
Assessed Value, New Construction and Property Tax Levy .....	II-42
Property Tax Annual Comparison.....	II-43
Sales Tax Annual Comparison.....	II-44
Six-Year Outlook General Fund 001 Overview .....	II-45

## **Section II: Processes, Policies & Summaries**

### *City Manager's Budget Message*

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### **City Manager's Budget Message**

**Honorable Mayor and City Council, Fife residents, business owners and operators, and other interested parties:**

I am pleased to submit to you the City of Fife 2013/2014 Biennial Budget, as adopted on November 20, 2012. This is the first biennial budget of the City. The biennial budget process, authorized by the City Council in early 2012, allows for a more strategic look forward with regard to budgeting and frees up Council to focus on long range issues. This budget was developed in support of the City Council Goals, current and projected service and infrastructure needs, and reflective of current and projected economic conditions impacting the City.

The transition from an annual to a biennial budget was in itself challenging; the continued vagaries of the economy made it more so. The City Council is due important credit and thanks for the difficult policy choices they were required to make in development of this budget. Recognition also needs to be provided to the City staff members, who have worked collaboratively to produce this document and all that went into its development. The City's Executive Leadership Team and staff answered the call and worked well as a team in developing this budget in a manner consistent with City Council goals and policy direction. Developing a plan that meets the City Council goals regarding level of service in the current economic environment took innovation, discipline, efficiency, and commitment. The City Council's attention to this important policy matter - their focus, thoughtful approach, collaboration, and direction - allowed for the best possible solutions to come forward and served to ensure that the biennial budget is properly aligned and that the City is positioned for long term sustainability.

The adopted budget presents a two-year plan for allocating public resources toward a variety of programs which serve to promote the physical security of our community, enhance the quality of life of our residents, support our businesses, and promote public investment in our community in the form of capital improvements and strategic planning. Development of the 2013/2014 biennial budget continues a major shift in the City's response to economic conditions and in how it does business. As indicated in the budget document, and in the materials leading up to its development, it was evident that even with the staffing and other expenditure reductions implemented in the 2012 General Fund budget, the City would not be able to continue forward with business as usual. While the 2012 staffing reductions were significant, overall costs continue to rise at a higher rate than resources. In preparation of the 2012 budget, there was much discussion about the array, quality, and value of services the City provides and the resources available to fund those services. Development of the 2013/2014 budget saw the infusion of an entrepreneurial approach to several of the services the City provides, inmate housing and dispatch in particular. Progress in these two areas lessens the strain on the General Fund. Innovation and creativity were central themes of the 2013/2014 budget process and have resulted in a major step toward sustainability. The 2013/2014 General Fund budget was brought into alignment by a combination of operational expenditure reductions and reductions in the cost of labor, strategic use of available resources, a slight increase in property taxes, and a modest increase in taxes on City-owned and some privately-owned utilities.

## **Section II: Processes, Policies & Summaries**

### *City Manager's Budget Message*

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#### **Budget Process**

Washington State law requires the City to adopt a balanced budget. Beyond that, the City Council and City Manager have separate yet integrated ethical and fiduciary responsibilities to the public to account for public funds, prudently manage municipal finances, and plan adequate and realistic funding for services and facilities desired and needed by the public. Appropriations are therefore limited to the total estimated revenues for the upcoming biennium, plus any unencumbered fund balance estimated to be available at the close of the 2012 fiscal year.

The 2013/2014 budget process was designed to provide frequent and timely opportunities for the City Council to develop and provide well-grounded policy direction to staff. To that end, the City Council was engaged at several critical points throughout the year; this allowed for staff to provide information and analysis and for City Council to establish the policies that ultimately drove this proposal. Thus far, the City Council has conducted no less than four meetings dedicated largely to the 2013/14 budget, as well as portions of multiple study sessions and special meetings. The first such meeting was a retreat in January, where City Council reviewed the 2012 Council Goals and developed a complementary set of goals for 2013. Shortly after the City Council's January retreat, at which they provided early direction on 2013 Council Goals, Department Directors were asked to begin developing preliminary budget concepts. City Council spent time refining the goals during the April Study Session, formally adopting them at their April 24, 2012 regular meeting. The May workshop accomplished several things: introduced to the concept of a biennial budget; reviewed and provided policy direction on pipeline capital projects; evaluated the trends of several funds, including an in-depth sales tax analysis; discussed revenue enhancements and expenditure reduction options; and updated the City's strategy on the use of the Miscellaneous Capital Fund to enhance the community and leverage economic opportunity.

City Council authorized a biennial budget process at their May 22, 2012 meeting, with the following conditions:

1. The biennial budget shall be implemented as two, one-year financial plans.
2. Expenditures in the first year may not exceed appropriations for that year, and the second year appropriations shall only be expended in the second year.
3. Changes to #2 (above) require City Council approval.
4. A mid-biennium budget review during the last four months of the first year shall occur, along with specific deadlines for any proposed budget modifications.
5. Quarterly financial status reports shall be submitted by staff showing actual revenues and expenditures and forecasting the same for the remainder of the biennium.

With adopted goals in place and a biennial budget established, Directors were asked to finalize their preliminary recommendations for 2013/2014. In July, staff briefed the City Council on the budget forecast and revenue update, and provided Departmental presentations on the impact of a theoretical ten percent decrease in General Fund operational budgets. City Council was also briefed and provided direction on the City Center economic development strategic planning process effort.

At the budget workshop in September, City Council accomplished the following: received updated information on fiscal projections for 2012, 2013, and 2014; discussed revenue and expense assumptions; reviewed projected revenues and expenses, including wages, benefits, supplies, and services; provided

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## **Section II: Processes, Policies & Summaries**

### *City Manager's Budget Message*

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policy direction on expanding intergovernmental services; and evaluated resource options, e.g. B&O tax, increase utility taxes, imposition of a license tab fee, enhancement of the Public Safety Fund, and retiring some current debt with available resources.

#### **Budget Considerations**

The 2013/2014 Biennial Budget accounts for a reasonably conservative approach with regard to revenue projections, given recent regional and national economic performance. Local sales tax is the largest revenue contributor to the General Fund, followed by property tax at a distant second. In 2012, the City collected just under \$4.7 million in local sales tax, with the last four months of the year finishing strong as compared to recent years. Sales tax is, however, a volatile revenue stream; in 2012 the City experienced both the highest monthly sales tax amount in almost two years and the lowest monthly sales tax collection in more than ten years. These kinds of fluctuations give pause to a strategy that is overly dependent on sales tax as a revenue source. In fact, prior budgets were overly reliant on sales tax revenues, which resulted in a significant spend-down of the General Fund reserves. Accordingly, this biennial budget maintains a conservative outlook with respect to sales tax projections, and it accounts 2013 and 2014 sales tax proceeds of \$4.55 million and \$4.6 million respectively.

The 2012 budget put the City on a path to significantly lessen its reliance on reserves to balance the General Fund. The 2013/2014 budget furthers that strategy and is projected to reduce the General Fund reliance on reserves to \$250,000 per year. Accordingly, the reader will note that, consistent with prior City Council policy direction, the proposed biennial budget realigns revenues and expenses through numerous course corrections in the form of expenditure reductions, revenue enhancements, diversification of resource input, and the strategic use of resources.

In 2012, performance measures for each Department were established and introduced as part of the budget document. For 2013/2014 those measures are reported and have been refined as appropriate for the biennium. The measures were developed by each of the Departments and provide the reader with an idea of the Department production in selected areas, performance targets, and actual experience.

Although the economy is improving, we anticipate recovery to continue to be a slow process, allowing for very little growth. As a result, 2013/2014 General Fund operating expenditures, excluding transfers out, are relatively flat as compared to the adopted 2012 levels. This proposal also implements the City Council's adopted financial policy of aligning on-going and one-time expenses with on-going and one-time revenues, which will help to assure that, going forward, the City lives within its means and is strategically positioned to adjust to future economic cycles. Transfers are discussed in the City Street Fund 101, Detention Services Fund 102, and Debt Service Fund 213.

During 2012, some of the City's major achievements included:

- Enhancements in transparency and access to our citizens.
- A more pro-active posture in assisting residents and the business community.
- Organizational improvements within the Police Department that will translate into better service to the community.
- Significant progress on City Center planning that holds transformative potential for the future of the community.

**Section II: Processes, Policies & Summaries**  
*City Manager's Budget Message*

- Well maintained public infrastructure and equipment.
- High quality recreation programming.
- Execution of a Capital Improvement Program, which not only serves our residents and businesses, but has the added burden of serving the region.
- Accountability for the public's resources - our most recent financial audit from the State Auditor's Office was the 12th consecutive audit without a finding.
- Stronger partnerships at the political and staff levels with the Puyallup Tribe, Port of Tacoma, Washington State Department of Transportation (WSDOT), Pierce County, our neighboring cities, and non-profits.

These are just a few highlights for 2012, and they and others are discussed in greater detail within the individual Department budgets. Fife City Council, staff, and our partners, like the Fife-Milton-Edgewood Chamber of Commerce, have collaborated to enhance Fife's influence on many fronts over the past year and, in doing so, are placing the City in a position to experience great things in the future. Readers are encouraged to review the individual Department work programs and performance measurements in order to gain a clearer understanding of the proposed services, service levels, and work program of the City in 2013/2014.

**General Fund**

As proposed, the General Fund relies primarily on three major revenue streams to fund services for its citizens: sales tax, property tax, and utility tax. In 2013/2014, these revenue streams are expected to make up 39 percent of all General Fund revenues. Projected General Fund revenues for the calendar years 2013 and 2014, from all sources, are projected at \$16.2 million and \$16.5 million respectively, or 35 percent in 2013 and 43 percent in 2014 of City-wide revenues.

• **Sales Taxes**

As mentioned previously, due to its volatility, sales tax receipts are projected conservatively but by and large to follow regional expectations. Given the uptick in the third and fourth quarters of 2012, there is a high level of confidence in the projected sales tax receipts for the biennium. The table below clearly illustrates that sales tax proceeds are significantly less than in the heydays of 2006-2008; they have leveled off since early 2009, settling into a "new normal" or stable baseline. For 2013 and 2014, sales tax revenues are estimated to be \$4.55 million and \$4.6 million respectively.



## Section II: Processes, Policies & Summaries

### *City Manager's Budget Message*

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- **Property Tax**

For the past several years, property values throughout the nation, the Puget Sound region, and in Fife have been declining. Last fall the County Assessor advised the City that the total 2013 assessed valuation for the City has decreased to \$1.774 billion. The City receives a portion of the property tax bill on each taxable property within the City limits. The City's property tax assessment for 2013 is \$1.60 per \$1,000 of assessed value based upon an assessed value of approximately \$1.774 billion; this rate reflects an increase in property tax of just under one-fifth of one percent, or 0.2 percent, over 2012. This levy, which City Council approved for first reading during their October 9, 2012 meeting, will generate approximately \$5,000 for 2013 to be assessed over the whole of the City. Translated to a property valued by the Assessor at \$200,000, the levy increase will raise the property owner's annual property tax bill by 56 cents for the year. New construction in the amount of \$7.3 million will be added to the City's assessed valuation, which will generate an additional amount of approximately \$11,000. Tax refunds, which are re-levied by the Assessor, will generate an additional \$47,000 for 2013.

Between the 0.2 percent increase in property taxes, the impact of new construction, and property tax rebates, an additional \$63,000 over 2012 is anticipated for 2013.

- **Utility Tax**

While utility taxes are not new to the City, for the 2013/2014 Biennial Budget there is a significant change in how they are accounted for and reported, and it includes a modest increase. Historically, utility tax revenues have been receipted directly into the Debt Service Fund 213. As utility taxes are not restricted revenues, in consultation with the State Auditor's Office it has been determined that they are more appropriately receipted into the General Fund, and then sufficient funds be subsequently transferred from the General Fund to the Debt Service Fund to service debt. While the change brings the City into compliance with generally accepted accounting practices, it serves to increase the General Fund revenues and expenditures, and could give the more casual reader the impression that there has been a significant change in economic conditions rather than a significant change in accounting practices. Accordingly, you will note total General Fund expenses and revenues for 2013 and 2014 balanced at \$16.2 million and \$16.5 respectively, compared to the adopted 2012 General Fund expenditure budget of just over \$14 million.

With respect to the included increase, after several meetings where the 2013/2014 budget was a primary topic, including a required public hearing on revenues in September where City Council and the public were provided a briefing on revenue alternatives, City Council provided clear direction that, while they would not entertain imposition of a Business and Occupation tax, nor the establishment of a Transportation Benefit District (TBD) at this time, they would consider an increase in utility taxes as part of a package to close the budget gap for 2013/2014.

In order to generate sufficient funds to eliminate the 2013/2014 budget deficit along with the other measures recommended, utility fees taxes as depicted in the chart below were enacted:

**Section II: Processes, Policies & Summaries**  
*City Manager's Budget Message*

	Water	Sewer	Storm	Garbage	Gas	Phone	Power
2013/2014	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Specifically, the utility tax rate for Water, Sewer, Stormwater, Gas, and Phone, increased by 1.5 percent to 6.0 percent, and a 6.0 percent tax on Solid Waste was imposed. These new rates will generate additional revenues of \$367,000 and \$489,000 for years 2013 and 2014 respectively. The City Council reviewed other alternatives at the September revenue hearing, including seven and eight percent scenarios. These utility tax rates are consistent with other full service cities within the region and are necessary to reach sustainability.

**General Fund Major Expenses**

General Fund expenditures for 2013 and 2014 are anticipated to be \$16.2 million and \$16.5 million respectively, or 30 percent in 2013 and 44 percent in 2014, of City-wide expenditures. The increase in 2014 is due to the completion of planned major capital projects in 2013.

The reader will note in the Department budget narratives that expenditures are divided into two primary categories: 1) personnel and 2) maintenance and operating (M&O) expenses.

- **Personnel Expenditures**

General Fund personnel costs (salaries, overtime, and benefits) make up 64 percent of overall General Fund spending and account for \$21 million in the 2013/2014 budget. General Fund personnel expenditures in 2013 are projected to increase by 3.4 percent over actual estimated 2012 personnel costs. This increase is due to the effect of labor contracts; however, they are offset by a change in the benefit plan for most of the workforce which will result in lower premiums. The aforementioned savings resulting from the change in benefit plan translates to roughly \$300,000 per year. In order to balance the General Fund budget, these or similar savings elsewhere must be realized. Should they be realized, the City will be able to avoid layoffs and corresponding reductions in service to the public in 2013. In the alternative, these savings will likely have to be generated through a reduction in employees and the corresponding loss of their contributions on behalf of City residents and businesses, or increased revenues impacting the General Fund.

- **Maintenance & Operating Expenditures**

General Fund Maintenance & Operating (M&O) expenditures included in the 2013/2014 budget amount to \$3.3 million and \$3.4 million respectively and make up 21 percent of the overall General Fund budget for 2013. For 2013, M&O expenditures are increasing 0.7 percent compared to 2012 as projected to the end of the year. Many of these costs are increasing outside of the direct control of the City, such as utilities, materials and supplies, and contracted services.

## Section II: Processes, Policies & Summaries

### *City Manager's Budget Message*

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- **Transfers Out**

General Fund Transfers Out included in the 2013/2014 Budget are in total \$2.5M annually - contribution for Street Maintenance \$0.3M, Detention Services subsidy \$0.5M, and General Debt Obligation Service funds of \$1.7M. Significant entrepreneurial effort has been made in the arena of detention services, which hold the potential to significantly lessen the Funds' reliance on a General Fund subsidy.

- **Debt Service**

Debt service obligations from the General Fund in 2012 amounted to \$64,000. As a result of the completion of LIDs 2008-1 and 2008-2 and the benefit of these projects to city-owned properties within the LID boundaries, General Fund debt service obligations were projected to increase by \$317,000 in 2013. One of the strategies employed in development of the biennial budget was maximization of existing resources. In the case of these debt service obligations, a strategy of paying off the General Fund debt with monies from the Miscellaneous Capital Fund was employed. This policy decision resulted in the elimination of \$381,000 in annual debt service payments from the General Fund, which lessened the need for reductions or further reliance on reserves. Greater detail is provided within the appropriate fund description.

#### **General Fund Reserve**

The City's Financial Policies, as adopted by City Council, have established a policy of budgeting a General Fund Operating Reserve amounting to 17 percent (two months) of the annual General Fund expenditure budget, excluding debt service funds transfers. As the City's revenue stream is cyclical, this level of reserve is necessary in order to maintain reliable cash flow throughout the fiscal year. The 2013/2014 budget maintains the minimum 17 percent reserve and does not anticipate utilizing any General Fund reserves to balance. While the 2013/2014 budget contemplates utilizing a total of \$500,000 of unrestricted funds from two other funds over the biennium, should the General Fund subsidy to the jail decrease as discussed below, all or a portion of this transfer may be avoided. The 2013/2014 adopted budget does not reflect the 2012 tribal casino gaming impact payment of \$850,000 that was received in February 2013. This will be reflected in the first budget amendment in 2013.

As adopted, this budget marks the first budget in several years where the use of General Fund reserves to balance the budget was not needed. Freeing the organization from a reliance on General Fund reserves to balance the General Fund budget has been a goal of City Council and staff for the past two years, and it is an absolute necessity as these reserves are at minimum operational levels.

#### **Major Other Funds**

- **City Street Fund**

The City Street Fund receives revenues from state-wide gas tax receipts and liquor excise tax on a per capita basis. In 2013, it is anticipated that these revenues will amount to \$190,610 and \$7,757 respectively. Public Safety Fund transfers to this account are slightly less than \$160,000 per year and are dedicated to enhancement and operations of pedestrian safety facilities per the City Ordinance. Expenditures to maintain the City's 80-lane miles of roads and associated signs

## Section II: Processes, Policies & Summaries

### City Manager's Budget Message

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and roadsides are proposed at \$650,000. The shortfall between revenues and expenditures in this fund has been ongoing for several years; in recent history the gap was filled utilizing fund reserves, which were depleted in 2011. In 2012, a transfer of \$310,000 from the General Fund was necessary to support Street Operations. For 2013 and 2014, the proposed General Fund transfer will remain at \$310,000 for 2013 and \$316,400 for 2014.

- **Detention Fund**

Detention Services operates as a special revenue fund independent of the General Fund and is supported by a combination of revenues including housing detainees for other agencies, a General Fund transfer to house Fife detainees, and what has become a growing General Fund subsidy necessary to balance fund revenues with expenditures. In 2012, a significant increase in the General Fund subsidy to balance the Fund was required due to the loss of the Federal Way jail contract. This past year City administration, Finance, and Police Command staff have worked to revamp the business model for the jail. As a result, jail contracts for guaranteed-beds with multiple agencies were executed in the latter part of 2012. In addition, negotiations with other agencies which were ongoing in 2012 have materialized at the time of this writing. These new customers to the Fife detention facility, while representing marginal additional costs, also generate much needed income necessary to reduce the General Fund subsidy. In addition to contract beds, the Police Department has worked with the Court to implement a home monitoring program, and in late 2012 negotiated a contract with the City of Tacoma to provide them with this service. The 2013/2014 budget reflects a reduction in General Fund subsidy to the jail from well over \$500,000 for 2012 to \$460,000 and \$469,200 for 2013 and 2014 respectively. Early indications are that a further reduction in the General Fund subsidy may be possible as the City increases its book of business in jail operations.

- **Public Safety Fund**

This Fund receives the proceeds from the City's photo enforcement program and funds associated with administrative and contracted costs, as well as capital projects meeting the criteria established by the City Council by Ordinance. The program has been successful in reducing accidents at signalized intersections. As a result of this success, program revenues are expected to decline for a second straight year to \$2.3 million. The preliminary budget proposes combined capital expenditures and capital transfers of approximately \$4.7 million which are detailed within the Fund narrative.

- **Debt Service Funds**

These Funds are programmed for General Obligation Debt Service and, as noted above, are funded through a transfer from the General Fund. Limited Tax General Obligation debt service obligations for 2013 and 2014 are \$1,716,000 and \$1,710,000 respectively, as compared to an amount of \$63,888 for Local Improvement District payments on City-owned property in 2012.

- **City Utilities**

The City operates Water, Sewer, and Storm Drainage Utilities. Also referred to as Enterprise Funds, each utility is fully supported through user fees. For 2013 and 2014, previously approved

## **Section II: Processes, Policies & Summaries**

### ***City Manager's Budget Message***

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rate increases for water of three percent respectively will go into effect at the beginning of each year. No other adjustments to utility rates were approved in the 2013/2014 budget. That said, plan updates are currently underway for the Stormwater and Sanitary Sewer utilities. Subsequent recommendations generated through these updates may potentially impact rates subject to future City Council action.

#### **Personnel**

The City of Fife is a service-based organization, and without the City workforce the essential services they provide to the community would not be delivered. Accordingly, our employees and what they bring to their jobs every day are our greatest asset and, not surprisingly, our greatest expense. Alignment of the 2012 budget required the elimination of 5.5 FTE(s), or full time equivalents, across several Departments including: Police, Community Development, Public Works, Court, and Executive. This represents a reduction of approximately 21,000 hours of labor that was not provided for the benefit of the public in 2012. Although anticipated, the elimination of these positions has had an adverse impact on organizational capacity. Staffing levels today are such that unanticipated absences of current staff are quickly felt by multiple Departments.

As presented, this budget relies on successful negotiations with three of the City's four labor units, a savings of \$300,000 is included to account for a change in the medical plan. Meeting the savings goal requires the cooperation of all the units. Should negotiations prove unsuccessful, the savings will likely have to be generated through a reduction in force of four to five employees. These reductions are not identified herein; accordingly the budget would have to be amended early in 2013 in order to achieve the necessary expenditure reductions.

In addition, the adopted budget reflects no cost of living increases (COLA) for non-represented employees (management group) and the Commissioned and Non-Commissioned Police Unions. The IAM and Teamster units are under contract through 2013, and accordingly are entitled a COLA adjustment. The 2014 budget reflects no COLA adjustments for these two labor units in 2014.

#### **Capital Investment**

The 2013/2014 budget implements numerous vital capital investments that address some of Fife's most pressing transportation, park development, environmental enhancement, and water supply needs. The majority of these projects are multi-year efforts which were programmed in 2012, and are progressing to later phases of implementation. There are also a number of new projects that are within the capital budget.

The biennial budget includes \$24.2 million in adopted capital investment. A listing of the 2013/2014 capital projects, along with a detail summary sheet of each project, is included within the budget document.

The major funding sources utilized by capital projects include: Real Estate Excise Tax (REET), utility user fees, traffic mitigation/impact fees, grants, loans, bonded debt, use of safety camera revenues for pedestrian related improvement, and proceeds from the sale of property. Along with the detail summary, each project within the capital budget is outlined on a separate project sheet which provides information on scope, schedule, cost, and funding source(s).

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## Section II: Processes, Policies & Summaries

### City Manager's Budget Message

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#### Our Financial Condition

Given the steps taken by the City Council regarding reductions, revenue enhancements, and use of existing resources through the course of developing the 2013/2014 Biennial Budget, the City's anticipated financial condition over the biennium will be solid. The General Fund is stable and sustainable through the biennium based on what is presented. While sales tax revenues are significantly reduced from a half a decade ago, they have been consistent the past four years and are beginning to reflect growth, albeit slow. Managing slow or no growth, while challenging, is less so than the circumstances we faced in developing the City of Fife 2012 Annual Budget. In 2012, the City's reliance on General Fund reserves and other one-time revenues to balance the budget was reduced significantly. The 2013/2014 budget takes the next step of eliminating our reliance on General Fund reserves, and some of our internal business retooling holds the potential to significantly reduce the planned reliance on one-time money of \$500,000 over the biennium.

The City is well positioned for a recovery in retail sales, specifically in the auto sector. Late in 2011, considerable private investment to improve and expand facilities among the retail auto dealers within the City occurred, and two new dealerships, Audi and Porsche (part of the Larson Automotive Group) opened in Fife. While development of these facilities was ahead of the recovery, the facilities are in place and operational; as we see the economy slowly recover, we should also see the impact of these investments. Also, 2012 has seen three RV dealerships locate within the City, as well as other auto related and retail businesses locate or expand in Fife. After disappointing sales tax results in 2012, this proposal takes a cautiously optimistic view with respect to 2013/2014 sales tax revenues.

A major benefit of enacting a two-year budget is the opportunity to focus on long-range strategic planning in the areas of financing, capital planning, economic development, and City services. Integration of these and other elements in the form of a strategic planning effort assure our City's fiscal sustainability, a high quality of life for residents, and a business environment that will spur quality expansion and development.

#### Conclusion

This budget proposal meets several City Council Goals by maintaining the quality services we are providing now, ensuring fiscal stability by taking major steps in the efficient use of resources, targeting reductions designed to lessen costs that will not lessen services or adversely impact the City workforce, and incorporating entrepreneurial and business-like practices balanced with modest increases in the form of new taxes.

In addition to Council Goals and adopted plans and policies, a decision-making filter we began using at the staff level in 2011 has proven valuable in meeting after meeting to get to the core of why we exist:

***If the City and its services went away tomorrow, why would the people want us back?***

Developing a balanced budget is always a challenge; by its very nature it involves difficult choices, assigning values and constantly weighing one thing against another. As difficult as the development of this proposal was, and the many evening and weekend hours City Council spent pouring over numbers and developing policy, it would have been much more difficult had the City Council not laid the foundation for change in 2012.

## Section II: Processes, Policies & Summaries

### *City Manager's Budget Message*

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This proposal maximizes resources by establishing value between the services it provides and the taxes and fees paid by its citizens. Fife is in the enviable position of being able to continue providing quality municipal programs and services to our residents and businesses – quality that makes Fife a desirable location in which to live and conduct business and the Fife brand something to be envied.

Finally, I want to acknowledge the dedication and service of the City's employees. In spite of the loss of several of their colleagues through the 2012 budget process, the City workforce pulled together to a point where the end user – the public – saw no reduction in service. Inside we are seeing the loss of capacity, the disruptions caused by less staffing; that is a “normal” we are all getting used to. I also want to recognize the City Council, whose collective leadership as policy makers worked tirelessly to evaluate the many volumes of information and briefings they were provided and gave the policy direction necessary for this organization to succeed. Finally, a special thanks to the many skilled and dedicated employees who worked to prepare the City of Fife 2013/2014 Biennial Budget, without whose assistance this comprehensive document could not have been developed.

Respectfully submitted,



David K. Zabell  
City Manager

## Section II: Processes, Policies & Summaries

### *Budget Cycle*

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### **Biennial Budget Cycle**

The City budget cycle consists of ten distinct phases:

- **Goals Formulation – January 2012**  
The City Council and Manager meet to develop goals for the subsequent year.
- **Budget Formulation – June-September 2012**  
Executive Leadership Team begins to develop and submit their initial budget requests to the City Manager. The City Manager then evaluates these requests against projected resources, City Council goals and level of service demands to develop the Preliminary Budget.
- **Review and Adoption –September –December 2012**  
City Council reviews the City Manager’s recommended budget, conducts public hearings, accepts or modifies the budget and adopts the budget for the next two years.
- **Implementation – January 2013**  
Once adopted, staff is tasked with carrying out the services and projects as described in the biannual budget.
- **Monitoring – January-December 2013**  
Finance and the Executive Leadership Team monitor revenues and expenditures throughout the year to ensure that funds are available and used in an approved manner. Quarterly budget reports are provided to the City Council. Staff evaluates trends, changes in laws and other material events to determine the impact of external changes on the City’s sources of revenues and expenditure limitations or mandates.
- **Routine – April 2013**  
The budget is amended to reflect prior year ending fund balances, reappropriation of unliquidated prior year obligations, and material changes in revenues and/or expenses.
- **Mid Biennium Budget Review – September - December 2013**  
The budget is formally reviewed in accordance with State law and City ordinance. The budget is amended, if needed, for material changes in revenues and/or expenses.
- **Evaluation – February - June 2014**  
During this stage, annual and biennial financial reports are produced and audits are conducted by the State Auditor’s Office.
- **Budget Amendment If Necessary – November 2014**  
The final budget amendment, if needed, is approved in November.
- **Evaluation – February - June 2015**  
During this stage, annual and biennial financial reports are produced and audits are conducted by the State Auditor’s Office.

**Section II: Processes, Policies & Summaries**  
*Budget Calendar*

**2013-14 Biennial Budget Calendar**

January 27-28, 2012 .....	Budget Workshop – 2013 Goal Setting, Econ Dev, Trans Study
May 5, 2012 .....	Budget Workshop – 2012 Update, 2013-14 Bud Gen/Spec Rev Funds
July 14, 2012.....	Budget Workshop – 2012 Update, 2013-14 Bud All Gen Gov. Funds
September 15, 2012 .....	Budget Workshop – 2013-14 Budget Discussion All Funds
September 25, 2012.....	Presentation – 2013 LTAC Hotel/Motel Tax Recommendations
September 25, 2012.....	Public Hearing – 2013-14 Revenues and 2013 Property Tax Levy
October 9, 2012 .....	Resolution – 2013 Property Tax Levy
October 16, 2012 .....	First Public Hearing – 2013-14 Budget
October 23, 2012 .....	Second/Final Public Hearing – 2013-14 Budget
November 6, 2012.....	Ordinance First Reading – 2013-14 Budget
November 20, 2012.....	Ordinance Second Reading/Adoption – 2013-14 Budget
September 10, 2013.....	Presentation – 2014 LTAC Hotel/Motel Tax Recommendations
September 10, 2013.....	Public Hearing – 2014 Revenues Update and Property Tax Levy
September 24, 2013.....	Resolution – 2014 Property Tax Levy
September 28, 2013 .....	Budget Workshop – 2013-14 Budget Discussion All Funds (if needed)
October 22, 2013 .....	Public Hearing – Required Mid-Biennium Budget Review
November 12, 2013.....	First Reading - Mid-Biennium Budget Amendment (if needed)
November 26, 2013.....	Second Reading - Mid-Biennium Budget Amendment (if needed)
January 25-26, 2014 .....	Budget Workshop – 2014 Goals, 2013 Accomplishments
February 25, 2014.....	Presentation – 2013 Q4 Financial Status Report, Projection 2014
April 22, 2014 .....	Presentation – 2014 Q1 Financial Status, Projections 2014 & 2015
July 22, 2014.....	Presentation – 2014 Q2 Financial Status, Projections 2014 & 2015
October 28, 2014 .....	Presentation – 2014 Q3 Financial Status
November 11, 2014.....	First Reading – Final Biennium Budget Amendment (if necessary)
November 25, 2014.....	Second Reading – Final Biennium Budget Amendment (if necessary)

**Section II: Processes, Policies & Summaries**  
*Budget Ordinance*

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**Ordinance No. 1820**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF  
FIFE, PIERCE COUNTY, WASHINGTON ADOPTING THE  
BUDGET FOR THE 2013/14 BIENNIUM**

WHEREAS; the Preliminary Budget for the 2013/14 Biennium Budget was submitted to the City Council by the City Manager on October 16, 2012; and

WHEREAS; after providing notice as required by RCW 35A.33.060, the City Council held a public revenue hearing on September 25, 2012, and two public budget hearings on October 16, 2012 and October 23, 2012; and

WHEREAS; a copy of the Preliminary Budget was on file with the City Clerk for examination by the public during the time it was being considered by the City Council; and

WHEREAS; on June 12, 2012, the City Council adopted Ordinance 1776 authorizing a biennial budget effective January 1, 2013. The ordinance and agenda bill stipulate that:

1. The biennial budget will be implemented as two one-year financial plans,
2. Actual expenditures in the first year may not exceed the first year plan appropriations,
3. Second year plan appropriations shall only be expended in the second year,
4. Any changes needed for 2 and/or 3 above would require Council approval,
5. That there will be a mid-biennium budget review during the last four months of the first year with specific deadlines for any proposed budget modifications and the holding of a public hearing, and
6. That quarterly financial status reports shall be submitted by staff showing actual revenues and expenditures and forecasting the same for the remainder of the biennium; NOW, THEREFORE,

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

Section 1. The Preliminary Budget of the City of Fife for the 2013/14 biennium, a copy of which is on file with the City Clerk, is hereby adopted by reference as the adopted biennial budget of the City of Fife for the 2013/14 biennium.

Section 2. The total estimated revenue from all sources and the expenditures by funds, all as set forth in the 2013/14 budget document adopted by reference is as follows:

**Section II: Processes, Policies & Summaries**  
*Budget Ordinance*

<b>A. Revenue by Fund</b>				
<b>Fund Number</b>	<b>Fund Name</b>	<b>2013 Plan</b>	<b>2014 Plan</b>	<b>2013/2014 Budget</b>
001	General Fund	\$ 16,215,483	\$ 16,531,212	\$ 32,746,695
101	City Street	668,285	668,285	1,336,570
102	Detention Services	1,388,768	1,388,768	2,777,536
103	Public Safety	3,961,800	2,301,000	6,262,800
104	Stadium/Convention Tax	461,000	461,000	922,000
105	Contingency	400	400	800
106	Growth Management	180,500	180,500	361,000
107	Criminal Justice	164,218	164,218	328,436
108	D.A.R.E.	3,500	3,500	7,000
109	Impact & Mitigation	52,000	52,000	104,000
110	Drug Intervention	160,500	151,500	312,000
111	Park Acquisition/Develop	82,422	82,422	164,844
207	2007 Ltd GO/St Const Bond	652,605	654,205	1,306,810
208	CLID 2008 Bond	1,085,333	1,048,533	2,133,866
209	LID Guarantee Fund	1,000	1,000	2,000
213	1997 Ltd. G.O. Bond	387,419	385,257	772,676
215	2011 Ltd. G.O. Bond	676,375	671,375	1,347,750
301	Street Construction	9,100,000	-	9,100,000
303	Rec & Ped Capital Facilities	100	100	200
305	Misc. Capital Projects	6,000	6,000	12,000
401	Water Utility	3,409,200	3,509,310	6,918,510
402	Sewer Utility	3,524,900	3,524,900	7,049,800
404	Storm Drainage Utility	707,000	707,000	1,414,000
405	Parity Revenue Bond	936,980	936,164	1,873,144
410	Utility Construction	1,637,000	4,637,000	6,274,000
504	Fleet	592,521	681,934	1,274,455
	Fund Revenue	\$ 46,055,309	\$ 38,747,583	\$ 84,802,892
	Beginning Fund Balances (1/1/2013)	29,646,312		29,646,312
	Beginning Fund Balances (1/1/2014)		21,231,757	
	<b>Total Revenues By Plan Year</b>	<b>\$ 75,701,621</b>	<b>\$ 59,979,340</b>	
	<b>Total Budgeted Revenue</b>			<b>\$ 114,449,204</b>

**Section II: Processes, Policies & Summaries**  
*Budget Ordinance*

<b>B. Expenditures by Fund</b>				
<b>Fund Number</b>	<b>Fund Name</b>	<b>2013 Plan</b>	<b>2014 Plan</b>	<b>2013/2014 Budget</b>
001	General Fund	\$ 16,205,105	\$ 16,517,782	\$ 32,722,887
101	City Street	647,303	658,217	1,305,520
102	Detention Services	1,334,435	1,368,026	2,702,461
103	Public Safety	6,202,828	1,507,872	7,710,700
104	Stadium/Convention Tax	2,312,585	453,392	2,765,977
105	Contingency	200,000	200,000	400,000
106	Growth Management	183,679	67,679	251,358
107	Criminal Justice	169,420	171,566	340,986
108	D.A.R.E.	382	382	764
109	Impact & Mitigation	1,000,000	-	1,000,000
110	Drug Intervention	135,328	138,960	274,288
111	Park Acquisition/Develop	1,949,303	39,303	1,988,606
207	2007 Ltd GO/St Construct Bond	652,605	654,205	1,306,810
208	CLID 2008 Bond	1,085,333	1,048,533	2,133,866
209	LID Guarantee Fund	-	-	-
213	1997 Ltd. G.O. Bond	387,419	385,257	772,676
215	2011 Ltd. G.O. Bond	676,375	671,375	1,347,750
301	Street Construction	8,755,404	42,197	8,797,601
303	Rec & Ped Capital Facilities	50,000	50,000	100,000
305	Misc. Capital Projects	135,000	135,000	270,000
401	Water Utility	3,194,010	3,313,438	6,507,448
402	Sewer Utility	3,669,427	3,756,519	7,425,946
404	Storm Drainage Utility	560,772	570,747	1,131,519
405	Parity Revenue Bond	870,684	848,719	1,719,403
410	Utility Construction	3,012,454	4,552,002	7,564,456
504	Fleet	1,080,013	532,337	1,612,350
	Fund Expenditures	\$ 54,469,864	\$ 37,683,508	\$ 92,153,372
	Ending Fund Balance(12/31/2013)	21,231,757		
	Ending Fund Balance(12/31/2014)		22,295,832	22,295,832
	Total Expenditures By Plan Year	\$ 75,701,621	\$ 59,979,340	
	Total Budgeted Expenditures			\$ 114,449,204

**Section II: Processes, Policies & Summaries**  
*Budget Ordinance*

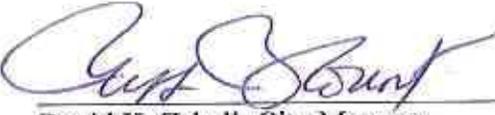
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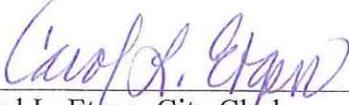
Section 3. This ordinance shall be in full force and effect five (5) days from and after its passage, approval and publication in summary from as provided by law.

Introduced to the City Council on the sixth day of November, 2012.

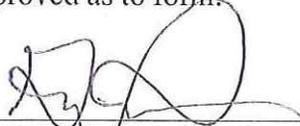
Passed by the City Council on the 20<sup>th</sup> day of November, 2012.

  
\_\_\_\_\_  
David K. Zabell, City Manager  
*Russ Blount, Acting City Manager*

Attest:

  
\_\_\_\_\_  
Carol L. Etgen, City Clerk

Approved as to form:

  
\_\_\_\_\_  
Loren D. Combs, City Attorney  
*assist city atty*

Published: 11/27/12

Effective Date: 12/2/12

## **Section II: Processes, Policies & Summaries**

### *About the Budget*

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#### **About the Budget**

##### **Basis of Accounting**

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the (city) also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

##### **Basis of Budgeting**

Funds are budgeted on the cash basis of accounting, as noted above. This is where revenues are estimated and appropriations set based on anticipated cash receipts and disbursements.

##### **Budget Adjustments**

The City Manager is authorized to transfer budgeted amounts between departments and line items within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

##### **Budgeting, Accounting and Reporting Systems (BARS)**

The City of Fife accounts and reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under authority of Washington State law, Chapter 43.09 RCW.

The City of Fife uses single-entry, cash basis of accounting as prescribed for small cities by the Washington State Auditor's Office. This is a departure from generally accepted accounting principles (GAAP) as applicable to local governments.

The accounts of the City of Fife are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending upon their intended purpose. All funds are budgeted except Fiduciary.

## Section II: Processes, Policies & Summaries

### *About the Budget*

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The following types of funds are used by the City of Fife:

- **Governmental:** Funds that account for the activities of the City which are of a governmental nature.
- **Proprietary:** Funds that account for the activities of the City which are proprietary or “business” in nature.
- **Fiduciary:** Funds held by the City as a trustee, e.g. deposits.

#### **Governmental Fund Types:**

- **General (Current Expense) Fund (000-099):** Accounts for all financial resources except those required to be accounted for in another fund. Although the City has to report only one general fund, it can have multiple general sub funds for its internal managerial purposes.
- **Special Revenue Funds (100-199):** These funds account for all revenues that are legally restricted or designated to finance particular activities of the City of Fife. The special revenue funds of the City are the Street Operating Fund, the Detention Services Fund, the Public Safety Fund, the Stadium/Convention Tax Fund, the Contingency Fund, the Growth Management Fund, the Criminal Justice Fund, the D.A.R.E. Fund, the Impact and Mitigation Fund, the Drug Intervention Fund and the Park Acquisition and Development Fund.
- **Debt Service Funds (200-299):** These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt. The debt service funds of the City are the 2007 Street Construction Bond Fund, the Local Improvement District Guaranty Fund, the 2013 Consolidated Local Improvement District (CLID) Bond Fund, the 1997 Limited General Obligation Bond Fund, the 2001 Limited Tax General Obligation Bond Fund, and the 2011 Limited Tax General Obligation Bond Fund.
- **Capital Project Funds (300-399):** These funds account for financial resources which are designated for the acquisition or construction of general government capital projects. The capital project funds of the City are the Street Construction Fund, the Recreation and Pedestrian Capital Facilities Fund, and the Miscellaneous Capital Projects Fund.

#### **Proprietary Fund Types:**

- **Enterprise Funds (400-499):** These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The enterprise funds used by the City are the Water Utility Fund, Sewer Utility Fund, LID BANs Fund, Storm Drainage Utility Fund, Parity Revenue Bond Fund and Utility Construction Fund.

## Section II: Processes, Policies & Summaries

### *About the Budget*

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- **Internal Service Funds (500-599):** These funds account for operations that provide goods or services to other departments or funds of the City of Fife on a cost reimbursement basis. The City's only internal service fund is the Fleet Fund.

#### **Fiduciary Fund Types:**

- **Agency Funds (600-899):** These funds are used to account for assets that the City of Fife holds for others in an agency capacity. The agency funds used by the City are the Payroll Clearing Fund, the Non-Revenue/Non-Expense Fund and the Petty Cash Fund.

## Section II: Processes, Policies & Summaries

### *Description of Funds*

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#### **Description of Departments, Divisions and Funds**

GASB Statement 34 defines major funds as funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Using these criteria the City of Fife has seven major funds: the General Fund 001, Public Safety 103, Impact and Mitigation 109, Street Construction 301, Miscellaneous Capital Projects 305, Water Utility 401, and Sewer Utility 402.

All funds of the City are reported in the audited annual finance statements. These same funds, less the fiduciary ones, are budgeted.

**General Fund (000-099)** – The following departments/divisions are expended from this fund:

- **001 General Fund**
  - **Legislative**
  - **Executive**
    - Executive
    - Human Resources
    - Civil Service
    - Information Technology
    - Legal
    - Administrative Services
  - **Finance**
    - Finance
  - **Municipal Court**
    - Court
    - Probation
    - Security
  - **General Government**
    - Facilities
    - Grounds
  - **Law Enforcement**
    - Operations
    - Gambling
    - Traffic
    - Communications
    - Crime Prevention
    - Emergency Management
    - Investigations
    - Community Policing
    - Drug Enforcement
  - **Engineering & Public Works Administration**

## Section II: Processes, Policies & Summaries

### *Description of Funds*

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- **Community Development**
  - Planning
  - Building
- **Parks, Recreation & Community Services**
  - Recreation Services
  - Swim Center
  - Parks Maintenance
- **Non-Departmental**

#### **Special Revenue Funds (100-199)**

- **101 Street Operating Fund** – This fund exists for the segregation, budgeting, expenditure and accounting for monies received for the purpose of funding the construction, repair and maintenance of City streets. There are two divisions in this fund: Operating and Maintenance.
- **102 Detention Services Fund** – This fund tracks all revenues and direct expenses related to the housing of Fife prisoners and contracted prisoners from other agencies and contracting of Fife prisoners to other agencies.
- **103 Public Safety Fund** - The purpose of the public safety fund is to segregate, budget, expend and account for monies derived from the photo red light enforcement program. Expenditures from the public safety fund may only be used for the purpose of paying for the costs of the red light enforcement program, including the City's administrative costs; provided, however, if there are surplus monies in the fund, then the surplus monies may only be expended for the following purposes: (1) purchase and installation of school zone signs and lights; (2) pedestrian overpass/underpass design and construction costs; (3) sidewalk design and construction costs; (4) streetlight acquisition, operation and maintenance; (5) signalized pedestrian crosswalks; (6) the purchase, design and construction of pedestrian trails that serve to redirect pedestrian traffic off of streets with high traffic volumes; and (7) the design and construction of similar pedestrian safety oriented improvements.
- **104 Stadium/Convention Tax Fund** – This fund receives lodging tax revenues and distributes these funds in the interest of promoting visitors to Fife. Lodging tax revenues are collected by the hoteliers in Fife in the form of a tax on overnight stays.
- **105 Contingency Fund** – The purpose of the contingency fund is to provide monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the biannual budget. This fund may be supported by a budget appropriation from any tax or other revenue source not restricted in use by law. The total amount accumulated in such a fund at any time shall not exceed the equivalent of 37.5 cents per thousand dollars of assessed valuation of property within the City.

## Section II: Processes, Policies & Summaries

### *Description of Funds*

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- **106 Growth Management Fund** – The purpose of the growth management fund is to segregate, budget, expend and account for monies dedicated to the purpose of preparing and implementing growth management programs as required and intended by State law.
- **107 Criminal Justice Fund** – The purpose of the criminal justice fund is to segregate, budget, expend and account for monies dedicated to the purpose of augmenting existing funding levels for the City’s criminal justice system, as required and intended by State law.
- **108 D.A.R.E. Fund** – A nationally recognized program, the Fife Police D.A.R.E. program teaches our community’s children resistance to drug abuse. This on-going program is funded by court assessments.
- **109 Impact & Mitigation Fund** – The impact and mitigation fund is used to receive and segregate revenues into general, street, park and utility categories dollars that have been contributed and dedicated for the purpose of mitigating the impacts of City or developer related projects or for assessments by the City for impacts brought about by the development of projects.
- **110 Drug Intervention Fund** - Investigative fund assessments, evidence fund confiscations and other drug related money is deposited into this fund. Its use is restricted to the expansion and improvement of controlled substances related law enforcement activity.
- **111 Park Acquisition & Development Fund** – All moneys received from grants for park development and acquisition are deposited into this fund. All monies received by the City from the lease agreement entered into by and between the City of Fife and GTE Mobilnet Incorporated are designated for this fund for the acquisition and development of City parks. The net proceeds from the sale of the City property located at 5209 Pacific High East were deposited into this fund.

#### **Debt Service Funds (200-299)**

- **207 Street Construction Bond Fund – \$7,000,000 Issue** – the purpose of the street construction fund shall be to segregate monies that have been received for the purpose of street construction for those projects identified in the City’s adopted Transportation Improvement Program (TIP). The Finance Director shall create such special categories as are necessary to properly account for funds required to be expended on a specific project.
- **208 CLID 2013 Fund – \$4,047,000 Issue** – Pursuant to Ordinance 1822, this fund consolidated LIDs 2008-1 and 2008-2 for the purpose of issuing bonds and provides that monies received from payment of the principal and interest on assessments levied within the original local improvement districts be deposited in said fund to be used to redeem the outstanding bonds.
- **209 LID Guaranty Fund** - Reserves funded by assessments and would only be used in the case of a LID assessment default.

## Section II: Processes, Policies & Summaries

### *Description of Funds*

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- **213 1997 Limited General Obligation Bond Fund - \$5,300,000 issue** – To construct a Criminal Justice Facility on “North Campus” (now known as the James M. Paulson Criminal Justice Center), move the Public Works facility on North Campus and construct a City Hall on City property on 23rd St. E. Utility taxes are the source of revenue for payment of these bonds.
- **215 2011 Limited General Obligation & Refunding Fund – \$5,835,000 Issue** – Proceeds of the Bonds will be used to (a) obtain part of the funds necessary to undertake the reconstruction of 70<sup>th</sup> Avenue East from 20<sup>th</sup> Street East to Valley Avenue East in the City; (b) refund, on a current basis and defease the City’s outstanding Limited Tax General Obligation and Refunding Bonds, 2001; and (c) pay incidental costs and costs related to the sale and issuance of the Bonds.

#### **Capital Project Funds (300-399)**

- **301 Street Construction Fund** – The street construction fund pays the capital cost of the planning, survey, design, permitting, right-of-way acquisition, construction, inspection and administration of transportation improvement projects.
- **303 Recreational & Pedestrian Capital Facilities Fund** – The purpose of this is to appropriate monies and expend them for the purposes of constructing pedestrian improvements such as crosswalks, sidewalks, pathways and similar pedestrian amenities and for capital improvements that benefit recreational services and programs. This fund is a revenue source for the property purchase portion of the 2001 Ltd. GO Bonds. The revenue source for this fund is card room gambling taxes.
- **305 Miscellaneous Capital Projects** – This fund was created to receipt the unrestricted proceeds from the sale of the real estate known as the “Gathering Place” and to account for expenditures made using these monies.

#### **Enterprise Funds (400-499)**

- **401 Water Utility Fund** – User fees generate revenue for this fund. Those funds are used to operate and maintain the City’s water utility.
- **402 Sewer Utility Fund** – User fees generate revenue for this fund. Those funds are used to operate and maintain the City’s sewer utility.
- **403 LID Bond Anticipation (BAN) Note Fund** – To segregate BAN proceeds of capitalized interest and remit the same when interest expense is paid.
- **404 Storm Drainage Utility Fund** – This fund exists for the segregation, budgeting, expenditure and accounting for monies received for the purpose of addressing storm and surface water drainage issues in order to protect public and private property, to preserve streams, wetlands and

## Section II: Processes, Policies & Summaries

### *Description of Funds*

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floodways, to minimize water quality degradation from urban runoff and to ensure the sound development of property within the City to the benefit of all citizens.

- **405 Parity Revenue Bond Fund** – The purpose of this fund is to pay and secure the payment of the principal, premium, if any and interest on the Parity Bonds issued by the City. The Bond Fund consists of two accounts: (a) the Principal and Interest Account and (b) the Reserve Account. Each account is held separate and apart from the other. The purpose of the Parity Revenue Bond Fund is to pay part or all of the costs of certain capital improvements to the City's sanitary sewer system, including the improvements carried out by Utility Local Improvement District No. 98-2.
- **410 Utility Construction Fund** – This fund provides capital improvements to the City's utilities. This is funded through General Facility Charges and operating transfers from the respective utility funds.

#### **Internal Service Funds (500-599)**

- **504 Fleet Fund** – The purpose of the Fleet Fund is to provide for the acquisition, replacement, maintenance and repair of fleet vehicles for the City of Fife, all being necessary for the benefit of the public served. An internal service fund is used to account for the financing of goods or services provided by one department to other departments within the City of Fife on a cost-reimbursement basis. The original purpose of this fund was to purchase machinery & equipment for the Public Works Department. The fund has grown and developed and is now used as an Internal Service Fund providing the purchase, repair and maintenance of the City's fleet of licensed vehicles.

#### **Fiduciary Funds (600-899) – (Not budgeted)**

- **631 Payroll Clearing Fund** – This fund clears payroll for the City by remitting paychecks to employees and benefits to providers.
- **635 Non-Revenue/Non-Expenses Fund** – This fund receipts and disburses monies collected for distributing to third parties, including revenue sharing due Washington State.
- **810 Petty Cash Fund** – This fund represents money held in various petty cash boxes to facilitate cash purchases.

## **Section II: Processes, Policies & Summaries**

### *Revenue Accounts*

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#### **Revenues**

The revenue accounts of the City are also prescribed by the BARS manual. Revenue accounts are also called Resource accounts and always start with a “3” in the Basic Account. The remaining numbers indicate the funding source for that revenue.

##### **Basic Revenue Accounts**

- 308 Beginning Fund Balance
- 310 Taxes
- 320 Licenses and Permits
- 330 Intergovernmental Revenues
- 340 Charges for Goods and Services
- 350 Fines and Penalties
- 360 Miscellaneous Revenues
- 370 Capital Contributions (Proprietary Funds Only)
- 380 Non Revenues
- 390 Other Financing Sources

## Section II: Processes, Policies & Summaries

### *Expenditure Accounts*

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### **Expenditures**

The expenditure accounts of the City are also prescribed by the BARS manual. Expenditure accounts are also called Use accounts and always start with a "5" in the Basic Account. The remaining numbers indicate the funding source for that expenditure.

#### **Basic Expenditure Accounts**

- 508 Ending Fund Balance
- 510 General Government Services
- 520 Public Safety
- 530 Utilities and Environment
- 540 Transportation
- 550 Economic Environment
- 560 Mental and Physical Health
- 570 Culture and Recreation
- 580 Non-Expenditures
- 591 Debt Service-Principal
- 592 Debt Service-Interest
- 594 Capital Expenditures-Non Street Related
- 595 Capital Expenditures-Street Related
- 597 Other Financing Uses

## Section II: Processes, Policies & Summaries

### *Expenditure Objects*

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## Expenditure Objects

The funds allocated in each department budget are categorized according to the following “object” expenditure classification:

- **10 Salaries and Wages**  
Amounts paid for services rendered by employees in accordance with rates, hours, terms and conditions authorized by state law or employment contracts. Includes overtime, on-call, sick, vacation and holiday paid leave.
- **20 Payroll Taxes and Benefits**  
Amounts paid by the employer as part of the conditions of employment. Includes employer paid portions of Social Security Medicare, Industrial Insurance, Unemployment Insurance, Retirement and Health Insurance Benefits.
- **30 Supplies**  
Amounts paid for articles and commodities purchased for consumption or resale. Includes office and operating supplies, small tools and equipment.
- **40 Services**  
Amounts paid for services other than personnel which are needed by the City. Services may be provided by a public agency or private business. Includes such services as professional services (consultants), communications, travel, insurance, utility services, repairs and maintenance, membership dues and subscriptions.
- **50 Intergovernmental Services**  
Amounts paid for intergovernmental purchases for specialized services typically performed by local governments.
- **60 Capital**  
Expenditures which result in the acquisition of, rights to, or additions to capital assets including incidental costs such as legal, appraisal and brokerage fees, land preparation and demolishing buildings, fixtures and delivery costs. Includes all major purchases of capital assets and infrastructure.
- **70/80 Debt Service**  
70 refers to the principal payment of debt and 80 for interest payments.
- **90 Transfers**  
Expenditures made to other funds for services rendered.

## Section II: Processes, Policies & Summaries

### *Financial Policies*

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### **Financial Policies**

As stewards of the public's resources, the City Council and City Manager ensure sound financial management of the City over the long-term. The following set of Financial Policies provides consistent guidance to financial and budget decisions. This set of well- designed policies also provides assurances to the citizens, creditors, grantors and others interested in the City's financial condition that the city is operated in a fiscally sound and prudent manner.

#### **Budget Policies**

As required by State law and by prudent financial management, the City will biennially prepare a balanced budget where projected resources meet or exceed projected needs. Additionally to be fiscally sound the budget will:

- Fund recurring operating expense with recurring revenues so that ongoing needs are not adversely impacted by the loss of one-time revenues.
- Allow for funding one-time needs with non-recurring revenues wherever possible.
- Provide sufficient resources to the Contingency Fund so that it can reasonably respond to critical unforeseen needs of the City without requiring the City to divert resources from other important services, but not to exceed the legal maximum funding of the equivalent 37.5 cents per thousand.
- Include a five-year forecast of the City's revenues and expenses so the City Council can make current budget decisions in the context of the City's long term financial conditions.
- Establish utility rates sufficient to provide net positive operating results and to meet or exceed any revenue bond coverage requirements.

#### **Reserve Policies**

Reserves provide important protections against the regular fluctuations of local economic conditions and the month-to-month variability of revenue collections. Reasonable reserves provide the working capital needed to support City operations through these cycles and should be set at a level that can sustain City operations for the most adverse conditions that can reasonably be expected. It is most useful to define reserves as a percentage of budgeted expenses so it can be readily converted to the number of days or months the City can operate without receiving additional revenues.

The City of Fife maintains its accounting records on the cash basis of accounting where revenues and expenses are only recognized when revenues are actually received and expenses when actually paid. Therefore, to properly determine the amount of the reserve in any fund, known liabilities expected to be paid from current resources will be considered as an obligation of existing cash balances (similar to the accrual basis of accounting) so that only the unobligated portion of the cash balance is used to determine the reserve amount.

## Section II: Processes, Policies & Summaries

### *Financial Policies*

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#### **General Fund**

The City will maintain an undesignated fund balance of 17% of annual budgeted General Fund expenses excluding debt service transfers (a two month reserve) in the General Fund. The General Fund may also have additional reserves.

#### **Utilities**

The Water, Sewer and Storm Drainage utilities shall maintain sufficient cash reserves to provide for seasonal variability of revenues and to allow it to operate if a bi-monthly billing cycle is disrupted for any reason.

#### **Other Funds**

The other funds of the City are used to account for restricted revenue sources provided for a specifically defined service or expense. Any reserve requirements thought prudent for operations should be determined by the City Manager as part of the budget request.

#### **Accounting & Financial Reporting Policies**

The City utilizes a “funds” accounting system wherein monies restricted for specific purposes are accounted for in separate “funds” in accordance with national accounting practices. Unrestricted monies will be accounted for in the General Fund. The City maintains its accounting system on the cash basis of accounting as permitted by the State Auditor and will use the BARS chart of accounts as required by the State Auditor. Additionally, the City complies with the systems and controls prescribed by the Office of the State Auditor who establishes procedures and records which reasonably assure safeguarding of assets and the reliability of financial reporting.

The City prepares an annual financial report using the forms prescribed by the State Auditor and is audited on a schedule determined by the State Auditor and as prescribed by State law. The City may, from time-to-time, arrange for additional audits when considered beneficial to the City’s operations. The State Auditor is required to examine the affairs of all local governments at least once every three years. The City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, the methods and accuracy of the accounts and reports of the City, and federally funded programs (grants) as required for a “single audit” under OMB A-133. Reports of the auditor’s examinations are required to be filed in the Office of the State Auditor and in the finance department of the City. The State Auditor last audited the City’s financials for fiscal year ended December 31, 2011 and received a clean audit with no significant findings of fact. Additionally, the Finance Director prepares quarterly financial reports showing the budget versus actual revenues and actual expenses and projecting year end results for the General Fund and each utility fund.

#### **Debt Policies**

The City’s ability to pledge its revenues in support of debt is a valuable “tool” for providing essential public services, but can threaten the City’s financial flexibility and the City’s credit rating if not use prudently. Excessive use of debt can also create an onerous tax burden on city property owners. Therefore, the City adopts the following policies to guide its use of debt:

## Section II: Processes, Policies & Summaries

### *Financial Policies*

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- Debt will not be used to fund operating expenses, but will be used solely to fund capital expenses (which can include city costs associated with the capital project) and long-term obligations.
- Utility debt will be secured solely by the revenues of the utility or by special assessments in the case of Utility Local Improvement Districts (ULID's) and will not ordinarily be secured by a general pledge of the City's revenues.
- The City will annually prepare Schedules of Long-term Debt and Constitutional Limitation of Indebtedness in the form prescribed by the State Auditor to report its debt outstanding and its compliance with State debt limits.
- The City will reserve at least 20% of its non-voted legal debt capacity to provide for emergency needs.
- Long-term debt will be structured in a manner so that the term of the debt does not exceed the expected useful life of the asset or improvement being funded.

In the event of extreme economic circumstances or natural or manmade disaster the City will modify these policies to ensure the safety and security of the community.

#### **Investment Policy**

The City will invest its cash balances in a manner designed primarily to ensure monies are available for their intended purposes when they are needed. That is, preservation of principle is the primary objective. With that objective in mind the Finance Director will invest only in investment instruments authorized by State statutes. Investments in the State Treasurer's Local Government Investment Pool (LGIP) are considered reasonably diversified because of the asset allocation policies of the "pool." Investment held directly by the City shall have maturities not exceeding four years.

#### **City's Response to Changing Economic Conditions**

In response to the pressures experienced during the current economic recession, the City made significant expenditure reductions. In late 2007, the City noticed a decline in sales tax revenue and responded by preparing a cost reduction plan, which included personnel layoffs and a hiring freeze in early 2008. Additional reductions were made in late 2008 and the 2009 Budget reflected lower revenue and expenditure levels. The Council was active in overseeing these changes and it established a policy to preserve General Fund reserves. As a direct result of these efforts and policy, the City continues to maintain healthy General Fund reserve levels. The City projects a General Fund balance of 17% of expenditures excluding debt service transfers for the year ending December 31, 2014.

## Section II: Processes, Policies & Summaries

### *Assets, Compensated Balances and Pensions*

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## **Assets, Compensated Balances and Pensions**

### **Cash**

It is the City of Fife's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest earned on short-term investments is prorated to the various funds based upon their cash balances, while the interest earned on long-term investments is allocated to the General Fund.

### **Deposits**

The City of Fife deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

### **Investments**

The City of Fife invests only in those types of investment instruments authorized by State law for local governments and in accordance with its investment policies. The City invests in federal agency home loan securities through brokerage agreements with Pro Equities and Vining Sparks, and a safekeeping trust account at U.S. Bank. Temporary surplus cash balances are invested through the Local Government Investment Pool (LGIP) operated on behalf of local governments by the Washington State Treasurer's Office, with the remaining monies invested overnight through a NOW account with Key Bank. The City does not invest in derivatives or similar transactions.

### **Capital Assets**

Capital assets are the long-lived assets of the City and are recorded as expenditures when purchased.

### **Compensated Absences**

Employees may accumulate vacation leave up to a maximum of 30 days, except for exempt employees who may accumulate above that maximum but must reduce it to 30 days by the next January 1. Upon separation from City service, employees will be paid up to a maximum of 30 days, except exempt employees who may be paid for up to 60 days.

Sick leave may be accumulated up to 1600 hours. Upon termination from City service, sick leave will be paid at the following schedule:

- 1<sup>st</sup> 50 days – 25%
- 2<sup>nd</sup> 50 days – 50%
- 3<sup>rd</sup> 50 days – 75%
- 4<sup>th</sup> 50 days – 100%

### **Long-term Debt**

The City's long-term debt consists of several Limited Tax General Obligation Bond (LTGO) issues, a combined Water/Sewer Revenue Bond issue and Local Improvement District (LID) special assessment bond issue and several real estate contracts. The City has no voted or excess levy debt.

## Section II: Processes, Policies & Summaries

### *Assets, Compensated Balances and Pensions*

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#### **Fund Balance**

The City of Fife financial policies provide for a General Fund balance reserve of 17% (two months) of annual budgeted expenditures for cash flow purposes. It is measured at year end. A Fund Balance is used to meet seasonal cash flow shortfalls, to have sufficient resources to begin the next fiscal year and to have resources to meet emergency or unanticipated expenses. Fund balance levels are dictated by cashflow requirements to support operating expenses; relative rate stability from year to year for enterprise funds; susceptibility to emergency or unanticipated expenditures; credit worthiness and capacity to support debt service requirements; legal or regulatory requirements affecting revenues, disbursements and fund balances; and reliability of outside revenues. The 2004 Water-Sewer Revenue Bonds have a reserve requirement of \$661,000 that is held in the Parity Bond Fund 405. The remaining fund reserve of \$390,300 reflects an advance from the Sewer Utility Fund 402.

#### **Pension Plans**

Substantially all City of Fife full-time and qualifying part-time employees participate in pension systems operated by the Washington State Department of Retirement Systems. These include PERS I, PERS II, PERS III, PSERS, LEOFF I and LEOFF II. These are cost sharing multiple employer public employee systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Fife's financial statements. Contributions to the various systems by both the employer and participating employees are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

State of Washington  
Office of Financial Management  
300 Insurance Building AQ-44  
Olympia, Washington 98405-0201

**Section II: Processes, Policies & Summaries**  
*Statutory Debt Limitations*

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**Statutory Debt Limitations**

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur liabilities in excess of budgetary appropriations.

The amount of indebtedness that a City may legally incur is limited by the Constitution and laws of the State. For State law purposes, "debt" generally includes any unconditional obligation that is generally payable from and secured by a pledge of tax revenues.

**Voter-Approved Debt.** As prescribed by State statutes, the unlimited tax general obligation indebtedness permitted for cities, subject to 60 percent majority vote of registered voters, at an election at which 40 percent of those who voted at the last general election cast a ballot, is limited to 2.5 percent of assessed valuation for general purposes, 2.5 percent for utilities and 2.5 percent for open space and park facilities and for economic development purposes.

**Non-Voted Debt.** Within the 2.5 percent of assessed valuation for general purposes, the City may, without a vote of the electors, incur general obligation indebtedness in an amount not to exceed 1.5 percent of assessed valuation. Additionally, within the 2.5 percent of assessed valuation for general purposes, the City may also, without a vote of the electors, enter into leases, if the total principal component of the lease payments together with the other non-voted general obligation indebtedness of the City, does not exceed 1.5 percent of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for general purposes, including leases, cannot exceed 2.5 percent of assessed valuation and for all purposes cannot exceed 7.5 percent of assessed valuation.

**Future Financing**

The City will issue \$4.0 million in Consolidated Local Improvement District (CLID) bonds to refinance LID BANS not repaid by prepayments from the special-benefits property owners.

The City's Water Utility has an option to purchase land for the Holt Well capital project. The test well drilling at this site was successful and water rights have been applied for. The entire project is estimated to cost approximately \$6.0 million, with the land purchase/water rights development phase expected to cost \$1.5 million in 2013 and the water treatment facility construction phase to cost \$4.5 million in 2014. The City received two Washington State Public Works Trust Fund ("PWTF") loans to fund 90% of the cost of each phase with an interest rate of 0.5% subject to the cut, securing water rights from the Washington State Department of Ecology. These loans would be payable from the Water Utility Fund but would be secured by the City's full faith and credit and its General Fund. If the City is unsuccessful in obtaining PWTF loans for this project, it may consider issuing utility revenue bonds for the financing.

**Section II: Processes, Policies & Summaries**  
*Schedule of Future Debt Service*

**Schedule of Future Debt Service**

The following table provides a schedule of debt service requirements for the City outstanding debt. The City has no outstanding Unlimited Tax General Obligation Bonds.

Year	GO Debt Service		Non GO Debt Service		Total Debt Service
	Limited GO Bonds	Real Estate Contract	Revenue Debt	Special Assessment Debt	
2013	\$ 1,716,399	\$ 67,679	\$ 259,979	\$ 11,797,776	\$ 13,841,833
2014	1,710,836	67,679	259,163	773,122	2,810,800
2015	1,742,100	28,200	259,506	763,854	2,793,660
2016	1,738,530		256,206	743,554	2,738,290
2017	1,711,683		257,856	713,554	2,683,093
2018	1,364,638		258,531	302,379	1,925,548
2019	1,037,538		253,281	294,904	1,585,723
2020	1,039,738		257,881	287,579	1,585,198
2021	1,041,638		257,256	290,254	1,589,148
2022	347,825		255,506	282,554	885,885
2023	349,125		257,506	988,907	1,595,538
2024	347,125		254,206	247,291	848,622
2025	349,725		246,463	170,791	766,979
2026	346,725		244,156	170,791	761,672
2027			246,456	170,791	417,247
2028			248,259	170,791	419,050
2029			244,500	170,791	415,291
2030				3,503,290	3,503,290
<b>TOTALS</b>	<b>\$ 14,843,625</b>	<b>\$ 163,558</b>	<b>\$4,316,711</b>	<b>\$ 21,842,973</b>	<b>\$ 41,166,867</b>

\* Special Assessment Debt includes Consolidated Local Improvement District (CLID) #1 bonds, sold on February 1, 2013. The non-taxable issue of \$3,332,499 is interest only (subject to City bond calls), with principal due in 2030. The taxable issue of \$714,253 is due in 2023.

**Section II: Processes, Policies & Summaries**  
**Taxes**

**Taxes**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Property Tax (1)	2,624,021	\$2,779,882	\$2,779,882	\$2,843,115	\$2,899,977
Sales Tax (1)	4,439,585	4,800,000	4,500,000	4,550,000	4,600,000
Electric Utility Franchise Fee (2)	474,849	500,000	500,000	1,000,000	1,000,000
Utility Tax (1)	802,681	802,000	802,000	1,222,521	1,345,473
Hotel Motel Taxes (3)	450,040	460,000	460,000	445,000	445,000
Real Estate Excise Taxes (4)	241,590	156,000	156,000	180,000	180,000
Other Taxes	364,417	422,553	364,275	286,000	287,000
<b>Total Taxes</b>	<b>9,397,183</b>	<b>\$9,920,435</b>	<b>\$9,562,157</b>	<b>\$10,526,636</b>	<b>\$10,757,450</b>

<sup>1</sup> Utility taxes were receipted directly into Debt Service Fund 213 for the payment of debt service on the City's Limited Tax General Obligation Bonds prior to 2013.

<sup>2</sup> Electric Utility Franchise Fee is an in lieu of utility tax levied on City of Tacoma Public Power Utility.

<sup>3</sup> Hotel/Motel taxes are receipted directly into the Stadium & Convention Tax Fund 104 for tourism- related expenditures.

<sup>4</sup> Real Estate Excise Tax (REET) is receipted directly into the Growth Management Fund 106 for capital-related expenditures for government facilities.

**Property Taxes.** The Pierce County Assessor-Treasurer is the agent to assess and collect property taxes levied in the County for all jurisdictions. Collections are distributed after month end for each month, and revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied. The City's regular levy for the year 2013 will be \$1.60 per thousand of assessed valuation of \$1.78 billion. The City's levy for the year 2014 is estimated to be 2% higher due to increases in the assessed value including new construction. The City does not impose any excess levies for any purpose.

**Local Sales and Use Tax.** The City imposes a sales and use tax as a percent of the selling price on any retail sales or use of tangible personal property delivered or used within the City, upon which the State also imposes a sales and use tax. The total sales and use tax rate in the City is currently 9.3%, of which the City receives approximately 0.85%. The increase for 2013 and 2014 are based on the 2012 forecast plus an assumed 1% annual growth rate.

**Electric Utility Franchise Fee.** The City has negotiated with the City of Tacoma Department of Public Utilities a franchise fee in-lieu of a utility tax. The rate is 6%, the same rate levied on investor-owned electrical utility. No material growth is expected for 2013 & 2014.

## Section II: Processes, Policies & Summaries

### Taxes

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**Utility Tax.** The utility tax on gross operating revenues of both municipal-owned and investor owned utilities within the City was increased to 6% in 2013 resulting in the \$422,531 increase in revenue projected. Prior to 2013, utility taxes were: 4.5% for telephone, 4.5% for natural gas, 3.0% for electricity, 4.5% for sewer service, 4.5% for water and 4.5% for surface water. First quarter taxes are due in April so the entire tax increase will not be realized on an annual basis until the year 2014.

**Hotel Motel Tax.** This tax is levied on all short-term housing of less than 30 days duration.

**Real Estate Excise Tax.** Real estate excise tax ("REET") is levied on each sale of real property within the City at the rate of 0.50% of the selling price. By statute, the City may only use REET receipts for certain capital expenditures, and not for City operations. This revenue is volatile and hard to predict. A conservative amount has been budgeted for the 2013/2014 biennium due to the current economy.

**Other Taxes.** The City also collects various other taxes each totaling less than \$200,000. These include gambling and leasehold excise taxes, and an in-lieu-of property tax on Fife's City owned utilities.

**Section II: Processes, Policies & Summaries**  
*Revenues*

**License & Permit Revenue**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Business Licenses	\$167,670	\$175,000	\$160,000	\$160,000	\$160,000
Building Related Permits	143,230	190,000	165,000	225,000	275,000
Cable TV Franchise Fee	87,438	113,281	109,006	109,000	109,000
Other Licenses & Permits	2,160	6,000	6,000	6,000	6,000
Total Licenses & Permits	\$400,498	\$484,281	\$440,006	\$500,000	\$550,000

**Licenses & Permits.** This revenue has been increased by \$44,000 in 2013 and \$50,000 in 2014 primarily due to higher revenue estimates for building related permits.

**Intergovernmental Revenue**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
State Share-Sale Tax Mitigation	\$538,586	\$538,875	\$508,000	\$511,000	\$511,000
Communication Services to other Governments	309,312	310,000	310,000	483,000	492,000
Tribal Casino Impact Mitigation	1,207,953	1,231,280	1,212,000	1,212,000	1,217,000
Cap Grant-Streets	1,855,870	10,168,301	5,893,088	7,410,800	0
Cap Grant-Storm Drain	141,702	836,000	836,000	0	0
Cap Grant-Public Safety	0	268,230	268,230	0	0
Op Grant-Public Safety	181,885	223,500	223,500	0	0
State Shared-Vehicle Gas Tax	189,158	195,003	195,003	190,610	190,610
Other Intergovernmental	314,561	451,766	357,237	375,213	347,213
Total Intergovernmental	\$4,739,027	\$14,222,955	\$9,803,058	\$10,182,623	\$2,757,823

**State Shared-Sale Tax Mitigation.** In 2009, the City began receiving a quarterly tax distribution from the State's Sales and Use Tax Mitigation Account, established to compensate taxing jurisdictions for local revenue losses as a result of a change in sourcing provisions of a new streamlined sales and use tax agreement. Sales tax and mitigation are receipted into the General Fund 001.

**Communication Services to other Governments.** The City contracts with various other municipalities to provide dispatch services.

## Section II: Processes, Policies & Summaries

### Revenues

**Tribal Casino Impact Mitigation.** The City's General Fund is strengthened by receipt of \$850,000 annually per an inter-local agreement with the Puyallup Tribe. The underlying contract of \$850,000 annually remains in perpetuity to mitigate the impacts of the Puyallup Indian Tribe's Emerald Queen Casino located in the City, as provided for under federal law. In addition, the City receives an in-lieu property tax of approximately \$188,000 and an in-lieu sales and hotel/motel tax of approximately \$193,000 from the Puyallup Tribe because it purchased an existing hotel for the construction of the Emerald Queen Hotel/Casino complex. All of these monies are deposited into the General Fund as intergovernmental revenue.

**Capital and Operating Grants.** These grants reflect estimates provided by grantors for approved projects and timelines.

**Other Intergovernmental.** The City also collects various intergovernmental revenues less than \$100,000 each. Revenues include those from liquor excise taxes, Liquor Board profits, and revenues from criminal justice.

### Charges for Services Revenue

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Interfund Professional Services	\$1,192,366	\$1,594,836	\$1,594,836	\$1,611,000	\$1,627,000
Recreation Programs	377,948	375,500	395,500	444,000	444,000
Permitting	83,971	128,689	128,689	199,689	232,689
Court Services	110,100	146,763	146,763	112,200	112,200
Detention Services	815,397	645,032	649,867	917,650	917,650
Eng'r Services - Street Const.	347,970	0	1,167	0	0
Water Utility Charges	2,769,826	3,393,000	3,315,000	3,399,000	3,499,110
Sewer Utility Charges	3,533,564	3,556,300	3,489,900	3,489,900	3,489,900
Storm Drainage Utility Charges	701,636	711,000	702,000	706,244	706,244
Interfund Fleet Maint. Charges	307,832	345,672	345,672	345,672	345,672
Other Charges for Services	101,599	82,716	74,393	83,762	83,762
<b>Total Charges for Services</b>	<b>\$10,342,209</b>	<b>\$10,979,508</b>	<b>\$10,843,787</b>	<b>\$11,309,117</b>	<b>\$11,458,227</b>

**Interfund Detention Services.** The revenue estimate for 2012 reflects the loss of a 10-bed per day minimum contract with the City of Federal Way. Detention services includes revenue to house Fife prisoners as well as prisoners from municipalities that contract with Fife for detention services.

**Engineering Services – Street Construction.** Engineering services was for a one-time street construction project with the Puyallup Tribe across the street from its casino.

**Section II: Processes, Policies & Summaries**  
*Revenues*

**Utility Services** – Includes the Water, Sewer and Storm Drainage utilities user fees. The Water Utility will propose a 3% rate increase take effect on January 1, 2013 and 2014.

**Fines and Forfeits Revenue**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Traffic Infractions	\$307,159	\$359,600	\$201,215	\$351,000	\$351,000
Red Light Photo Enforcement	2,982,057	3,000,000	2,400,000	2,300,000	2,300,000
Other Fines & Forfeits	123,603	115,500	276,583	206,500	206,500
<b>Total Fines and Forfeits</b>	<b>\$3,412,819</b>	<b>\$3,475,100</b>	<b>\$2,877,798</b>	<b>\$2,857,500</b>	<b>\$2,857,500</b>

**Miscellaneous Revenue**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Sale of Real Estate	\$11,340,824	\$0	\$0	\$0	\$0
Interest	\$161,872	\$81,396	\$196,396	\$118,520	\$118,435
Rents and Leases	\$142,695	\$143,300	\$143,300	\$198,574	\$198,574
Traffic/Park Impact Fees	\$869,074	\$60,000	\$60,000	\$60,000	\$60,000
ULID Property Owner Loan Payments	\$985,624	\$730,000	\$760,000	\$1,755,333	\$1,718,533
Utility General Facilities Charges	\$490,707	\$228,000	\$228,000	\$133,000	\$133,000
Interfund Fleet Lease/Miscellaneous	\$293,300	\$151,236	\$151,236	\$240,649	\$330,062
Other Miscellaneous	\$167,332	\$184,622	\$113,532	\$170,122	\$161,122
<b>Total Miscellaneous</b>	<b>\$14,451,428</b>	<b>\$1,578,554</b>	<b>\$1,652,464</b>	<b>\$2,676,198</b>	<b>\$2,719,726</b>

**Traffic/Park Impact Fees.** These fees are assessed at the time building permits are taken out. This revenue is volatile and hard to predict.

**ULID Property Owner Loan Payments.** Revenues from property owners for repayment of principal and interest on bonds sold to under the local improvement district (LID) program for ULID 2004 and CLID 2013.

**Utility General Facilities Charges.** Fees collected to address the impact of development on utility infrastructure.

**Interfund Fleet Lease/Miscellaneous.** The General Fund departments were not assessed lease charges in 2012, thereby reducing this revenue by \$155,876. Charges were reinstated at \$50,000 in 2013 and \$100,000 in 2014.

**Section II: Processes, Policies & Summaries**  
*Revenues*

**Other Sources**

Description	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Transfers In	\$3,570,439	\$7,499,468	\$4,498,094	\$6,503,235	\$3,146,857
Loan Proceeds	\$15,970,487	\$3,418,682	\$0	\$1,500,000	\$4,500,000
Interfund Loans	\$220,000	\$3,187,691	\$1,162,000	\$0	\$0
Misc Rev - Other	\$0	\$5,000	\$0		
<b>Total Other Sources</b>	<b>\$19,760,926</b>	<b>\$14,110,841</b>	<b>\$5,660,094</b>	<b>\$8,003,235</b>	<b>\$7,646,857</b>

**Transfers.** Reflect financial support received from other funds for operations and maintenance, debt repayment or capital projects.

**Loan Proceeds.** These are interim and long-term debt issued for capital projects. On January 25, 2011, the City sold two LID bond anticipation notes. The LID2008-1 note is \$3.0 million and comes due on March 1, 2012. The LID2008-2 note is \$9.0 million and comes due on February 1, 2013. On December 27, 2011, the City sold Limited General Obligation and Refunding Bonds in the amount of \$5.9 million, of which \$3.9 million was new money. For 2012, \$3.4 million has been budgeted for loan proceeds for capital projects.

**Interfund Loans.** These are cash advances from other funds. The creditor fund has to be repaid when the borrower fund has excess revenues or other sources available. Actual loan amounts for 2012 are as follows:

Borrower Funds	Creditor Funds			Purpose
	Criminal Justice 107	Misc. Capital Projects 305	Sewer Utility 402	Operation
Drug Intervention Fund 110	\$ 406,000		-	Capital
Criminal Justice Fund 107		\$137,000		
Misc. Capital Projects Fund 305	-		\$ 601,910	Debt Service

**Section II: Processes, Policies & Summaries**

*Assessed Value, New Construction and Property Tax Levy*

**Assessed Value, New Construction and Property Tax Levy**

Actuals for Years 2011 through 2012, 2013/2014 Estimates				
	Assessed Valuation	New Construction	Levy Amount	Levy Rate Per \$ 1,000
2010	\$2,109,593,643	\$17,791,125	\$2,588,462	\$1.2270
2011	\$2,008,596,565	\$50,487,803	\$2,652,564	\$1.3206
2012	\$1,888,418,890	\$21,541,000	\$2,779,882	\$1.4721
2013	\$1,776,946,972	\$17,259,600	\$2,846,115	\$1.6000
2014(1)	\$1,812,485,625	\$17,769,470	\$2,899,977	\$1.6000

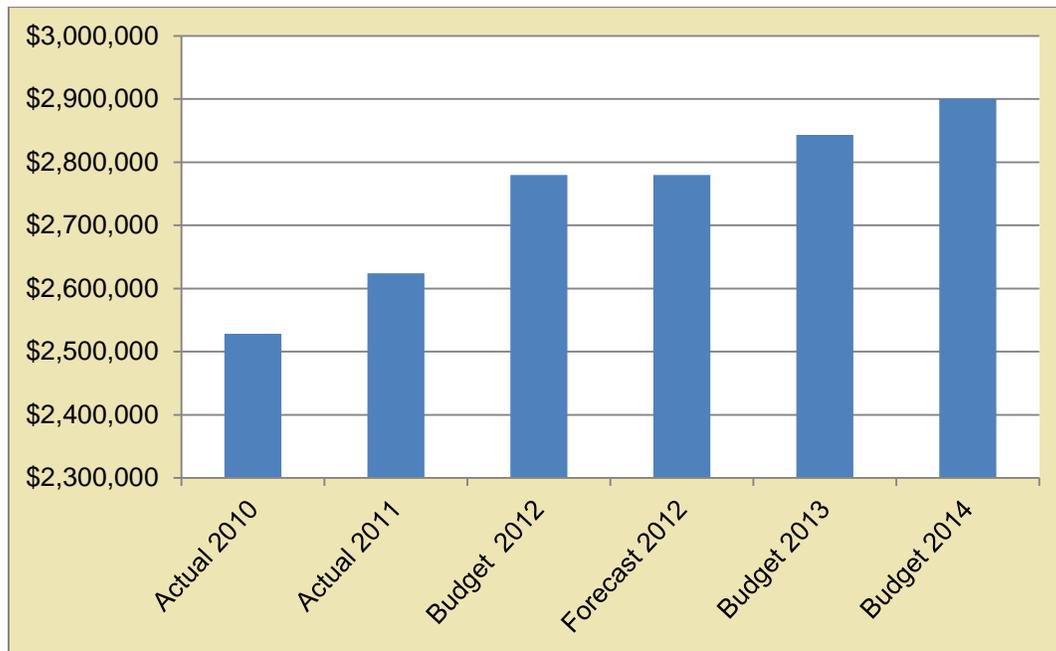
- (1) Assumes 15 increase in assessed value from new construction, and 2% increase in property taxes.



**Section II: Processes, Policies & Summaries**  
*Property Tax Annual Comparison*

**Property Tax Annual Comparison**

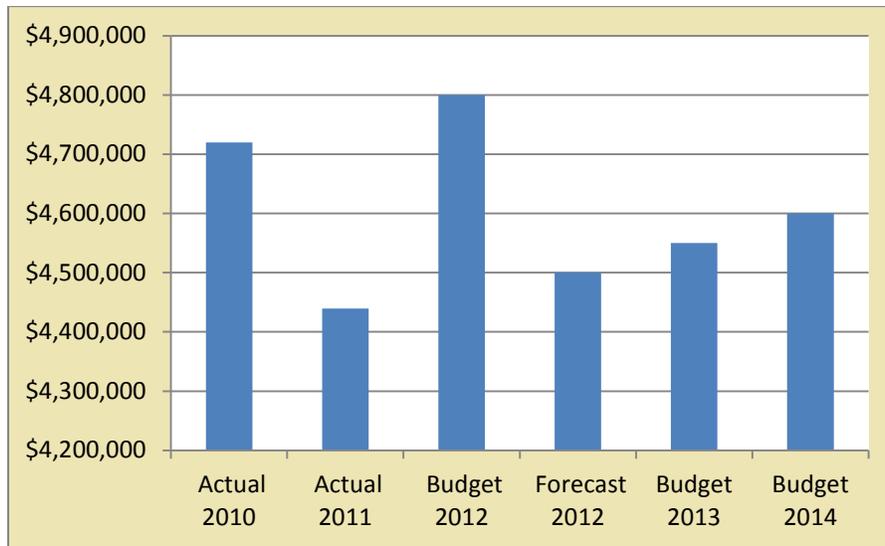
Description	Actual 2010	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Property Tax Annual Comparison	\$2,528,166	\$2,624,021	\$2,779,882	\$2,779,882	\$2,843,115	\$2,899,977



**Section II: Processes, Policies & Summaries**  
*Sales Tax Annual Comparison*

**Sales Tax Annual Comparison**

Description	Actual 2010	Actual 2011	Budget 2012	Forecast 2012	Budget 2013	Budget 2014
Sales Tax Collected	\$4,719,633	\$4,439,585	\$4,800,000	\$4,500,000	\$4,550,000	\$4,600,000



## Section II: Processes, Policies & Summaries

### Sales Tax Annual Comparison

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## Six-Year Outlook General Fund 001 Overview

Revenue, Expenditure, and Fund Balance Assumptions 2011-2018

### Introduction

The following pages contain the Six-Year Outlook for the City of Fife General Fund. The objective of this outlook is to help establish budgetary targets for the City's unrestricted revenues, namely taxes, over the next six years based on policies developed by the City Council and the City Manager.

The Six-Year Outlook identifies fund balances, revenue patterns, and expense trends which are subject to constant change. The dynamic nature of local government as well as historical precedent suggests that even the 2014 Biennial Budget will be altered several times before the close of 2014. The Six-Year Outlook is designed to help make two fundamental decisions: "Where do we want to go?" and, "How are we going to get there?" The Six-Year Outlook incorporates the City's preplanned, explicit goals as well as the means by which they may be accomplished.

One of the greatest advantages of using the Six-Year Outlook model is the opportunity to test decisions in the context of the entire General Government budget, rather than in isolation of all other future needs. The model demonstrates that resources are finite and each current budget decision must be balanced against existing and future plans and commitments.

### Resources

Resources are defined as the combination of beginning fund balance and current income. Assumptions used to form the basis for anticipating resources over the next five years include a heavy reliance upon historical trends, future inflation estimates, and population growth. Other factors, such as large construction projects, changes in consumer behavior, technology changes and legislative decisions, are also considered. Revenue forecasts are intended to be best estimates, but leaning toward conservatism rather than optimism.

### Expenditures

In the Six-Year Outlook, expenditures have been classified into objects of expense such as personnel, operations and maintenance, capital outlay and transfers out, as each group has differing cost escalation assumptions.

### Overall Outlook for Resources and Expenditures

Historic revenues for 2011 and projections for the year 2012 through 2018. The average annual growth rate between 2013 and 2018 is forecast at 0.5%, reflecting slow growth from 2009's new lower base.

Total expenses are projected to grow during the same timeframe at an average of 2.4% per year if current trends continue without intervention. This clearly presents a warning trend concerning the ability of the City's future resources to keep pace in the years ahead with unadjusted expenditures. Because the City is prohibited from deficit spending, the City Council will make all necessary adjustments to bring expenses back into balance with available resources.

## Section II: Processes, Policies & Summaries

### *Sales Tax Annual Comparison*

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**By law, each biennial budget must be balanced.** It is important to recognize that decisions made today, “untested” in the environment of a strategic planning process, cannot be easily undone once a commitment is made and set into motion. Therefore, while 2015 through 2018 are shown to present diverging revenue and expenditure rates as revenues are projected to grow more slowly than expenditures escalate, this is not considered to be an unsolvable problem. The City, through its Six-Year Outlook, can recognize an undesirable balance between revenue and expense trends and prepare appropriate and corrective responses well in advance. The City’s biennial budget ordinance requires that each biennial budget shall consist of two one-year financial plans. Each plan year is balanced.

## Section II: Processes, Policies & Summaries

### Sales Tax Annual Comparison

SIX-YEAR OUTLOOK  
GENERAL FUND 001 (K)  
REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE  
FOR THE YEARS 2011 - 2018

Description	Actual 2011	Budget 2012	Budget 2013	Budget 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Five Year Growth 2013-18
<b>Revenues</b>									
Taxes:									
Property Tax	\$ 2,624,021	\$ 2,779,882	\$ 2,843,115	\$ 2,899,977	\$ 2,958,000	\$ 3,017,000	\$ 3,077,000	\$ 3,139,000	10.4%
Sales Tax (G)	4,439,585	4,800,000	4,550,000	4,600,000	4,625,000	4,650,000	4,675,000	4,700,000	3.3%
Utility Taxes (A)	-	-	2,222,521	2,345,473	2,369,000	2,392,800	2,416,700	2,440,700	9.8%
Other Taxes	65,798	132,471	127,000	128,000	129,000	130,000	131,000	132,000	3.9%
Licenses & Permits (B)	398,338	478,281	494,000	544,000	449,000	449,000	449,000	449,000	-9.1%
Intergovernmental	784,117	795,947	660,838	628,838	632,838	636,838	640,838	644,838	-2.4%
Charges For Services	3,507,237	3,983,940	4,274,533	4,341,533	4,267,533	4,285,533	4,304,533	4,323,533	1.1%
Fines & Forfeits	417,547	462,600	513,000	513,000	513,000	513,000	513,000	513,000	0.0%
Miscellaneous	248,958	209,260	280,476	280,391	284,752	284,752	284,752	284,752	1.5%
Other Sources - Transfers In (C)	-	-	250,000	250,000	-	-	-	-	-100.0%
<b>Total Revenues (D)</b>	<b>12,485,601</b>	<b>13,642,381</b>	<b>16,215,483</b>	<b>16,531,212</b>	<b>16,228,123</b>	<b>16,358,923</b>	<b>16,491,823</b>	<b>16,626,823</b>	<b>2.5%</b>
Beginning Fund Balance	3,559,932	2,447,261	1,799,003	1,809,381	1,806,097	961,282	(274,953)	(1,896,554)	-205.4%
<b>Total Resources</b>	<b>16,045,533</b>	<b>16,089,642</b>	<b>18,014,486</b>	<b>18,340,593</b>	<b>18,034,220</b>	<b>17,320,205</b>	<b>16,216,870</b>	<b>14,730,269</b>	<b>-18.2%</b>
<b>Expenditures</b>									
Personnel	9,756,247	10,031,148	10,372,827	10,601,653	11,025,719	11,466,748	11,925,418	12,402,435	19.6%
Operations & Maintenance	3,432,770	3,167,455	3,214,386	3,303,799	3,369,875	3,437,273	3,506,018	3,576,138	11.3%
Debt Service (ULID) (F)	79,499	64,219	-	-	-	-	-	-	--N/A--
Department Capital Outlay	117,684	131,493	131,493	132,808	134,136	135,477	136,832	138,200	5.1%
Operating Transfers	212,072	716,374	770,000	785,400	801,108	817,130	833,473	850,142	10.4%
Debt Service Transfers (A) (H)	-	-	1,716,399	1,710,836	1,742,100	1,738,530	1,711,683	1,364,638	-20.5%
<b>Total Expenditures (D)</b>	<b>13,598,272</b>	<b>14,110,689</b>	<b>16,205,105</b>	<b>16,534,496</b>	<b>17,072,938</b>	<b>17,595,159</b>	<b>18,113,424</b>	<b>18,331,554</b>	<b>13.1%</b>
Ending Fund Balance	2,447,261	1,978,953	1,809,381	1,806,097	961,282	(274,953)	(1,896,554)	(3,601,285)	-299.0%
<b>Total Uses</b>	<b>16,045,533</b>	<b>16,089,642</b>	<b>18,014,486</b>	<b>18,340,593</b>	<b>18,034,220</b>	<b>17,320,205</b>	<b>16,216,870</b>	<b>14,730,269</b>	<b>-18.2%</b>
<b>Fund Balance Detail:</b>									
Reserved Fund Balance (E)	2,311,706	2,398,817	2,463,080	2,520,022	2,606,242	2,695,627	2,788,296	2,884,376	
Unreserved Fund Balance (Deficit) (J)	135,555	(419,864)	(653,699)	(713,925)	(1,644,960)	(2,970,580)	(4,684,850)	(6,485,661)	
<b>Total Fund Balance (Deficit)</b>	<b>\$ 2,447,261</b>	<b>\$ 1,978,953</b>	<b>\$ 1,809,381</b>	<b>\$ 1,806,097</b>	<b>\$ 961,282</b>	<b>\$ (274,953)</b>	<b>\$ (1,896,554)</b>	<b>\$ (3,601,285)</b>	

**Notes:**

- A) Prior to 2013 utility taxes were receipted to the 1997 Bond Fund 213 and transferred to other debt service funds as needed for payment of debt service. In years 2013 and on utility taxes will be receipted to the General Fund 001 and transferred to the debt service funds as needed.
- B) Includes building permits that are budgeted for increased revenue in years 2013 and 2014.
- C) Operating transfers from the Contingency Fund 105 and Ped. Rec Capital Fund 303 are \$200,000 and \$50,000, respectively for 2013 and 2014. Replacement revenue has not yet been identified for subsequent years.
- D) Five-year (2013-2018) revenue growth is 2.5% (0.5% per annum) versus expenditure growth of 13.1% (2.3% per annum). This is not sustainable beyond the year 2015.
- E) General Fund Reserved Fund Balance is 17% of budgeted expenditures excluding debt transfers, measured at year-end.
- F) The 2004 ULID assessments on City-owned parcels were paid off in 2012. See budget message for more information.
- G) The sales tax base assumed for 2012 in budgeting for 2013 and 2014 was \$4.5 million. A revised forecast of \$4.697 million was made in late 2012 for projecting 2012 ending fund balance only.
- H) The first of three outstanding general obligation bond issues is paid off in the year 2018. With sufficient revenues in place this expenditure reduction frees-up financial resources that could be used to finance general government capital projects in the future.
- I) Basis of Accounting: The City prepares its financial statements and budgets on the modified cash basis of accounting. Revenues are recognized only when cash is received and expenditures are recognized when paid. It also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the
- J) One material accounts receivable from 2012 in the amount of \$850,000 was receipted in February 2013. This receivable was not reflected in budgeted beginning fund balance for 2013 (and subsequent years). This will be taken into account when the first budget amendment is made for 2013-2014. Taking this into account, unreserved fund balance is expected to remain positive through 2014. This annual contract payment from the Puyallup Tribe mitigates the impact of Tribal Casino Gaming as provided for under federal law. See General Fund charges for services revenue discussion for more information.
- K) This Six Year Outlook covers the General Fund that includes (1) operating transfers out needed pay for general government expenditures accounted for in other funds not paid for with restricted revenues (City Streets and Detention Services) and (2) debt service transfers out for limited tax general obligation debt accounted for in debt service funds. Other funds of the City are funded with legally restricted revenues (taxes, intergovernmental revenue, charges for service/utility revenues, fines and forfeits, and debt proceeds) so they are excluded.