



# Section I: Introduction



# Section I : Introduction

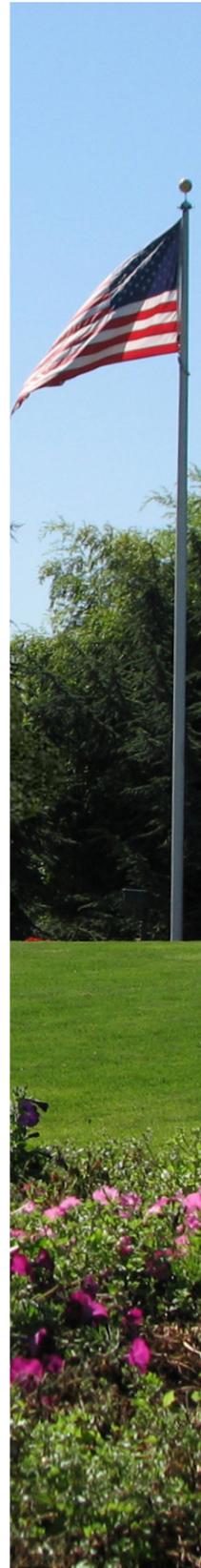
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## About the City



### About the City

Incorporated in 1957, Fife ranks 83rd in population in the State of Washington with a population of 9,405. Fife encompasses an area of 5.7 square miles between the Puyallup River and Puget Sound, conveniently located between Seattle-Tacoma International Airport and the Port of Tacoma and easily accessible by Interstate 5.

Once a small farming town, Fife has grown into a hub of community, industry, and retail opportunities. The city is known for its high-end retail auto and RV dealerships, as well as a thriving warehouse, distribution, manufacturing and transportation district.



With numerous established and proposed single-family and multi-family developments, Fife maintains a quiet neighborhood feel. The City provides a full range of municipal services, with Fire District No. 10 providing fire and emergency medical services. The City of Fife employs over 150 people and has a total city budget of \$159M. Operating under the Council/Manager form of government, the elected seven member City Council appoints the City Manager, who serves as the Chief Administrative Officer for the City.



# Section I : Introduction

## About the City, cont.



### Economy

Located along Interstate-5 with close proximity to Sea-Tac International Airport and the nearby Port of Tacoma, the City of Fife is a center of industry and commerce in the Puget Sound region.

Three large business centers are located in the City. The Fife Business Park includes 292,000 square feet of building space on 23 acres with 100 tenants and an estimated combined total of 550 employees. Fife Landing and Fife Commerce Center house a variety of manufacturing and warehousing businesses.

Gensco, Inc. operates a manufacturing wholesale distribution facility for heating ventilation and air conditioning equipment within the city. Other large manufacturers include Milgard (windows and doors), Prologix, Praxair, Ames International, Mission Foods and Norwesco/Noll Inc.

The Union Pacific Railroad Company owns approximately 400 acres of land, acquired from the Port of Tacoma, which is zoned for industry. Approximately 240 acres is used in switch yard operations, the other 160 acres are for industrial development. Praxair acquired approximately 15 acres and operates a \$14 million plant. Trans-Pacific Development, Inc. has developed a 180-acre warehousing facility and a multi-stories office building.

Many vehicle dealerships are located in the City. Recent investments by the automotive sectors include a new BMW Northwest showroom and the addition of three new buildings for Porsche, Audi and Mercedes-Benz showrooms and service departments totaling 73,000 square feet.



Other notable businesses include the Emerald Queen Hotel and Casino operated by the Puyallup Tribe. The hotel has 140 rooms and meeting/event facilities. The casino features 33,000 square feet of gaming space. Brown & Haley, a candy manufacturing business that celebrated 100 years of operation in 2012, has a warehouse and retail outlet in the City of Fife.



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## Meet your City Council



**Tim Curtis - Mayor**  
Term expires Dec. 2015

### Meet Your City Council

The Fife City Council consists of seven members, elected to four year terms. The Council serves as the legislative branch of Fife's government. They are responsible for establishing policy, voting appropriations, developing the City's vision and mission, and passing local ordinances, resolutions, and proclamations. They are also responsible for appointing the City Manager and the members of the City's Commissions.



**Rob Cerqui**  
Term expires Dec. 2015



**Pat Hulcey- Deputy Mayor**  
Term expires Dec. 2015



**Barry Johnson**  
Term expires Dec. 2015



**Lew Wolfrom**  
Term expires Dec. 2017



**Bryan Yambe**  
Term expires Dec. 2015



**Winston Marsh**  
Term expires Dec. 2017

### City Administration

Subir Mukerjee	City Manager
Vacant	Deputy City Manager
David DeGroot	Finance Director/Treasurer
Mark Mears	Chief of Police
Carol Etgen	City Clerk
Russell Blount	Public Works Director
Kurt Reuter	Director of Parks, Recreation & Community Services
David Osaki	Director of Community Development
Kevin Ringus	Municipal Judge
Loren Combs	City Attorney, VSI Law Group

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## Boards, Commissions, & Committees



### Boards, Commissions, & Committees

#### Civil Service Commission

The Civil Service Commission was created to exercise the powers and to perform the duties in connection with the selection, appointment and employment of employees of the Fife Police Department.



Member Name	Position	Took Office	Term Expires
Bob Thornhill	Chairman	Jan 2009	Dec 2018
Kory Edwards	Member	Jan 2006	Dec 2018
Jay Marks	Member	Jan 2005	Dec 2017

#### Lodging Tax Advisory Committee

The Lodging Tax Advisory Committee (LTAC) was established to advise the City Council on use of City lodging tax revenue for tourism promotion or tourism facility purposes.



Member Name	Position	Took Office	Annual Review
Rob Cerqui, Chair	Councilmember	Sep 2006	November
Darshan (Shawn) Randhawa	Lodging	Sep 2006	November
Debbie Dymarkowski	Lodging	Sep 2006	November
Louise Hospenthal	Tourism		November
Bennish Brown	Tourism	Dec 2012	November

### Parks, Recreation & Community Services

#### Citizen Advisory Board

The PRCS Board is an advisory body tasked with providing the City Council recommendations regarding parks and recreation services within the community.



Member Name	Position	Took Office	Term Expires
Vacant	1		
Vacant	2		
Julie Claiborne	3	Dec 2014	Dec 2017
Carole Sue Braaten	4		
Lisa McClellan	5		
Dee Dee Dukes-Gethers	6		Dec 2015
Sarah Patt	7		

# Section I : Introduction

## Boards, Commissions, & Committees, cont.



### Planning Commission

The Planning Commission serves as an advisory board to the City Council evaluating and making recommendations on the Comprehensive Land Use Plan and its various elements, along with any amendments.



Member Name	Position	Took Office	Term Expires
Philip Waldner	1	Aug 2012	Dec 2016
Spence Braden	2	Jan 2010	Dec 2016
Doug Fagundes	3	Jan 2009	Dec 2018
Kim Roscoe	4	Jan 2014	Dec 2017
Keith Wood	5	Jan 2015	Dec 2018
Karla Wayman	6	Jan 2014	Dec 2017
David Ranz	7	Jan 2015	Dec 2017

### Public Arts Commission

The mission of the Fife Public Arts Commission is to identify and actively encourage the development and sustainability of the arts in the City by serving as the City's primary resource in matters of public art and culture.



Member Name	Position	Took Office	Term Expires
Jeanne Howe	Resident	Jul 2011	Dec 2015
Danielle Twichel	Student	Jul 2011	Dec 2015
Mizu Sugimura	Resident	Jul 2011	Dec 2016
Kendra Danielson	Art Educator	Jul 2011	Dec 2017
Lisa Strauss	Business	Feb 2015	Dec 2017
Julie Watts	Chamber Rep	Feb 2015	Dec 2017
Vacant	Tribal Member		
Vacant	Resident		
Vacant	Business		

# Section I : Introduction

## Boards, Commissions, & Committees, cont.



### Tree Commission

The Tree Commission meets quarterly each year. The Commission is tasked with evaluation, education and landscaping of trees within the City of Fife in the interest of promoting the health and enhancement of the urban forest resource as an element to the quality of life for its citizens and as a benefit to the environment.



Member Name	Position	Took Office	Term Expires
Pat Coddington	1	Jan 2009	Dec 2015
Carole Sue Braaten	2	Jan 2013	Dec 2017
Vacant	3		
Vacant	4		
Vacant	5		

### Fife Youth Commission

The Youth Commission serves as an advisory board to the City Council, other city boards and commissions, and city staff on issues affecting the youth of this community.



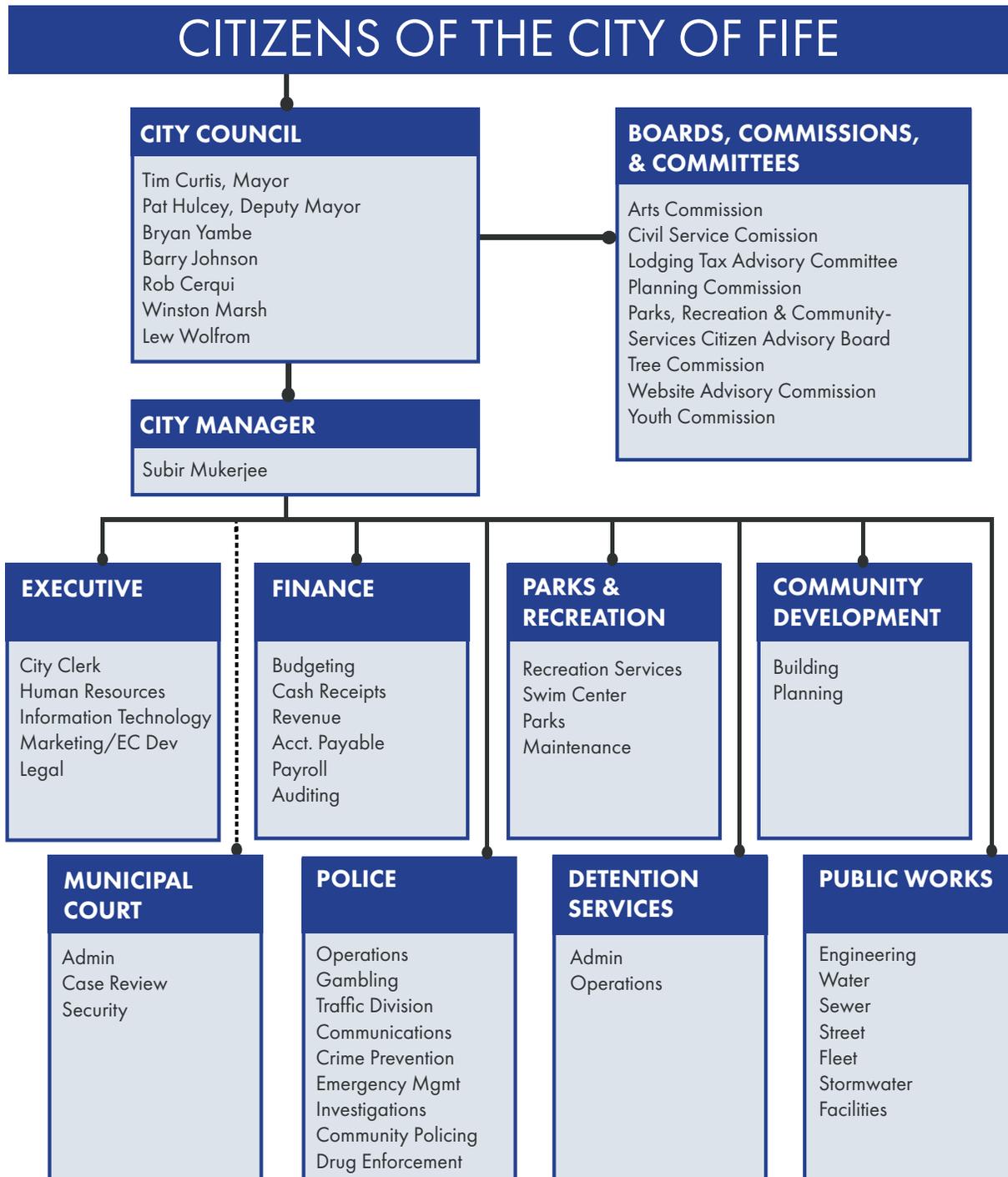
Member Name	Position	Took Office	Term Expires
Justin Moreno	1	Dec 2014	Dec 2015
Randi Bushnell	2	Dec 2014	Dec 2015
Isaac Gethers	3	Dec 2014	Dec 2015
Vacant	4		
Rebecca Dickson	5	Dec 2014	Dec 2016
Sieona Squally	6	Dec 2014	Dec 2016
Kelly Phan	7	Dec 2014	Dec 2016
Gavin Georgitsis	8	Dec 2014	Dec 2016
Rayanna Wenning	9	Dec 2014	Dec 2016

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## Organizational Chart



### City of Fife Organizational Chart



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## Mission Statement



### Mission Statement

The City of Fife shall maintain and enhance the quality of life for its constituents and bring to the Fife Community better things for better living through excellence in public service by commitment to the following ideals:

- Maintain an open, responsive government to keep the public informed.
- Promote a positive image of the City of Fife.
- Continue to provide safety and security to the citizens.
- Protect and improve its land base and infrastructure through balanced planning and development.
- Assure responsible management of the City's resources.
- Seek "excellence" in all endeavors and earn the trust of constituents.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Fife  
Washington**

For the Fiscal Year Beginning

**January 1, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Brown".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City of Fife for its biennial budget for the biennium beginning January 1, 2013. The award represents a significant achievement, and reflects the commitment of the governing body and staff to meeting the highest principles in governmental budgeting. In order to receive the budget award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of two years only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

# Section I : Introduction

## 2015-2016 Budget Adoption Ordinance



### ORDINANCE NO. 1891

#### AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FIFE, PIERCE COUNTY, WASHINGTON ADOPTING THE BUDGET FOR THE 2015-16 BIENNIUM

WHEREAS; the Preliminary Budget for the 2015-16 Biennium was submitted to the City Council by the City Manager on October 6, 2014; and

WHEREAS; after providing notice as required by RCW 35A.33.060, the City Council held a public revenue hearing on October 14, 2014, and two public budget hearings on October 21, 2014 and October 28, 2014; 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  
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 2015-16 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 2015-16 biennium.

Section 2. The total estimated revenue from all sources by fund and the expenditures by fund, all as set forth in the 2015-16 budget document adopted by reference is as follows:

# Section I : Introduction

## 2015-2016 Budget Adoption Ordinance



<b>A. Revenue by Fund</b>				
<b>Fund Number</b>	<b>Fund Name</b>	<b>2015 Plan</b>	<b>2016 Plan</b>	<b>2015-16 Budget</b>
001	General Fund	\$ 18,967,990	\$ 19,081,251	\$ 38,049,241
101	City Street	779,091	811,991	1,591,082
103	Public Safety	3,685,182	1,700,300	5,385,482
104	Stadium/Convention Tax	475,300	475,300	950,600
105	Contingency	100	100	200
106	Growth Management	369,100	369,100	738,200
107	Criminal Justice	260,065	260,065	520,130
108	D.A.R.E.	3,500	3,500	7,000
109	Impact & Mitigation	35,300	35,300	70,600
110	Drug Intervention	75,300	75,300	150,600
111	Park Acquisition/Develop	265,454	129,400	394,854
115	Revenue Stabilization	120,000	120,000	240,000
120	Misc. Grants Summary	200,000	-	200,000
207	2007 Ltd GO/St Construct Bond	651,925	654,105	1,306,030
209	LID Guarantee	200	200	400
213	1997 Ltd. G.O. Bond	390,495	387,850	778,345
215	2011 Ltd. G.O. Bond	676,175	670,425	1,346,600
216	2011 Ltd. G.O. Bond	405,300	376,200	781,500
217	2014 Ltd G.O. Bond	35,878	35,878	71,756
301	Street Construction	1,500,000	27,930,800	29,430,800
302	Street Const. 66th Ave E LID	2,960,000	-	2,960,000
303	Rec & Ped Capital Facilities	100	100	200
305	Misc. Capital Projects	36,801	2,437,801	2,474,602
401	Water Utility - Operating	3,562,900	3,634,000	7,196,900
436	Water Utility - Construction	1,863,959	193,300	2,057,259
402	Sewer Utility - Operating	5,102,100	5,452,530	10,554,630
426	Sewer Utility - Construction	2,791,482	445,300	3,236,782
404	Storm Drainage Utility - Operating	993,500	1,188,100	2,181,600
446	Storm Drainage Utility - Construction	3,835,342	500,000	4,335,342
405	Parity Revenue Bond	839,707	836,407	1,676,114
502	Detention Services	4,787,674	4,720,146	9,507,820
504	Fleet	795,000	818,300	1,613,300
513	Self-Ins Employee Benefit	122,257	122,257	244,514
	Fund Revenue	\$ 56,587,177	\$ 73,465,306	\$ 130,052,483
	Beginning Fund Balances (1/1/2015)	29,387,718		29,387,718
	Beginning Fund Balances (1/1/2016)		25,323,280	
	<b>Total Revenues By Plan Year</b>	<b>\$ 85,974,895</b>	<b>\$ 98,788,586</b>	
	<b>Total Budgeted Revenue</b>			<b>\$ 159,440,201</b>

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## 2015-2016 Budget Adoption Ordinance



<b>B. Expenditures by Fund</b>				
<b>Fund Number</b>	<b>Fund Name</b>	<b>2015 Plan</b>	<b>2016 Plan</b>	<b>2015-16 Budget</b>
001	General Fund	\$ 18,809,450	\$ 19,120,834	\$ 37,930,284
101	City Street	760,127	787,919	1,548,046
103	Public Safety	4,228,952	1,663,410	5,892,362
104	Stadium/Convention Tax	2,250,778	507,836	2,758,614
105	Contingency	-	-	-
106	Growth Management	826,833	440,000	1,266,833
107	Criminal Justice	258,732	264,588	523,320
108	D.A.R.E.	400	400	800
109	Impact & Mitigation	20,000	20,000	40,000
110	Drug Intervention	70,277	70,477	140,754
111	Park Acquisition/Develop	1,935,724	58,633	1,994,357
115	Revenue Stabilization	-	-	-
120	Misc. Grants Summary	200,000	-	200,000
207	2007 Ltd GO/St Construct Bond	651,925	654,105	1,306,030
209	LID Guarantee	-	-	-
213	1997 Ltd. G.O. Bond	390,375	387,750	778,125
215	2011 Ltd. G.O. Bond	676,175	670,425	1,346,600
216	2011 Ltd. G.O. Bond	280,000	280,000	560,000
217	2014 Ltd G.O. Bond	35,878	35,878	71,756
301	Street Construction	1,871,860	26,814,061	28,685,921
302	Street Const. 66th Ave E LID	660,000	2,300,000	2,960,000
303	Rec & Ped Capital Facilities	-	-	-
305	Misc. Capital Projects	3,615,644	2,899,844	6,515,488
401	Water Utility - Operating	3,689,776	4,024,998	7,714,774
436	Water Utility - Construction	1,099,115	444,409	1,543,524
402	Sewer Utility - Operating	4,954,410	5,460,092	10,414,502
426	Sewer Utility - Construction	1,632,854	1,414,149	3,047,003
404	Storm Drainage Util - Operating	1,942,606	1,542,432	3,485,038
446	Storm Drainage Util - Construction	3,701,449	649,409	4,350,858
405	Parity Revenue Bond	493,800	493,800	987,600
502	Detention Services	4,787,674	4,720,146	9,507,820
504	Fleet	684,544	460,225	1,144,769
513	Self-Ins Employee Benefit	122,257	122,257	244,514
	Fund Expenditures	\$ 60,651,615	\$ 76,308,077	\$ 136,959,692
	Ending Fund Balance(12/31/2015)	25,323,280		
	Ending Fund Balance(12/31/2016)		22,480,509	22,480,509
	Total Expenditures By Plan Year	\$ 85,974,895	\$ 98,788,586	
	Total Budgeted Expenditures			\$ 159,440,201

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

Introduced to the City Council on the twelfth day of November, 2014.

Ordinance No. 1891  
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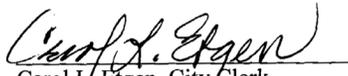
## 2015-2016 Budget Adoption Ordinance



Passed by the City Council on the 25<sup>th</sup> day of November, 2014.

  
\_\_\_\_\_  
Subir Mukerjee, Interim City Manager

Attest:

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

Approved as to form:

  
\_\_\_\_\_  
Loren D. Combs, City Attorney

Published: 11/28/14  
Effective Date: 12/3/14

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## Reader's Guide to the Budget



### READER'S GUIDE TO THE BUDGET

This budget document is organized into 6 sections to help the reader find information about the City and its 2015-2016 Biennial Budget: Budget Message, Budget Guide, Executive Summary, Operating Budget, Capital Budget, and Appendix.

**Budget Message** – The Budget Message section is written by the City Manager and includes:

- Budget Message
- Budget Overview

**Budget Guide** - The Budget Guide is intended to familiarize the reader with the City's budget policies and procedures, basis of accounting, and the presentation of the budget document. This section includes:

- Budget Process
- Basis of Accounting and Budgeting
- Budget Guidelines

**Executive Summary** - The Executive Summary section provides an overview of the City's financial condition, comparative statistics, and includes:

- Summary of Sources and Uses – Tables
- Revenue Assumptions
- Ending Fund Balances
- Annual & Combined Sources and Uses Tables

**Operating Budget** - The Operating Budget focuses on accountability and responsibility assigned to each department within the City. This section is organized by function within a department and incorporates all operating funds. Each department is organized as follows by function:

- Mission and Responsibilities
- Prior Year Accomplishments
- Goals/Major Objectives
- Workload Measures
- Performance Measures
- Multi-Year Expenditure Comparison
- Personnel

**Budget by Fund** - The Budget by Fund section illustrates the overall financial condition of each fund. This section is organized as follows:

- Purpose and Description
- Prior Year Accomplishments
- Goals/Major Objectives
- Workload Measures
- Performance Measures
- Multi-Year Sources & Uses Comparison
- Personnel

**Capital Budget** - The Capital Budget provides an overview of the City's Capital Improvement Plan and is organized as follows by major capital component:

**Appendix** - The Appendix section includes:

- Supplemental Information
- Personnel Summary by Full-Time Equivalent
- Population & School Enrollment
- Adopted Salary Schedule, IAMAW
- Historical Tax Rates
- Adopted Salary Schedule
- Historical Retail Sales & Tax Revenue
- Adopted Salary Schedule, Police Guild
- Historical Assessed Valuation
- Major Employers
- Property Tax Statistics
- Debt Service Summary

# Section I : Introduction

## Budget Message



### City Manager's Budget Message 2015-2016 Biennial Budget

November 25, 2014

Dear Citizens, Mayor and City Council of Fife:

I am pleased to present to you the 2015-2016 Fife City Budget, as adopted by the City Council on November 25, 2014. This budget is tailored to Fife's needs, goals and resources, and was designed to support the City's adopted vision for a sustainable community. The adopted budget presents a two-year plan for the allocation of resources towards a variety of programs which serve to promote the physical security of our community, enhance the quality of life for our residents, support our business leaders, and promote public investment in our community in the form of capital improvements and strategic planning.

### Budget Process

The 2015/2016 budget process was designed to provide frequent and timely opportunities for the City Council to develop policy and provide direction to staff. Development of the City's budget is guided by a set of budget policies and citywide goals and strategies based upon City Council's vision. Due to continued uncertainty regarding the economic recovery and recent decisions by the State Legislature affecting distributions and costs to local governments, no significant changes to current levels of service were planned.

Each department submitted their budget requests during the months of May and June. After review and revision, as necessary, by the City Manager, the proposed 2015/2016 budget was prepared. City Council and the citizens of Fife then had opportunity for review and input during a series of public hearings and budget workshops as follows:

1. May 6: Budget Workshop, General and Special Revenue Funds
2. July 15: Budget Workshop, all General Governmental Funds
3. Sept 13: Budget Workshop, Budget Discussion, all funds
4. Oct 7: Public Hearing, 2015-16 Revenue estimates & Property Tax Levy
5. Oct 7: Budget Presentation, 2015-16 Capital Budget
6. Oct 14: Budget Presentation, 2015-16 General Fund
7. Oct 21: 1st Public Hearing, 2015-16 Budget
8. Oct 21: Budget Presentation, 2015-16 Special Revenue Funds
9. Oct 28: 2nd Public Hearing, 2015-16 Budget
10. Nov 25: Adoption of 2015-16 Biennial Budget

The 2015-2016 Budget that follows represents the results and decisions from these meetings and workshops.

### Fiscal Prudence

The total two-year budget totals \$137 million and includes \$37.9 million in General Fund expenditures. This

# Section I : Introduction

## Budget Message



budget is balanced and consistent with City Council financial policies and goals. It is based on realistic and somewhat conservative revenue projections; although we have seen some improvements in the economy in the past year, it is too early to rely on sustained economic growth for the long term. Like many cities, Fife continues to face a structural deficit due to revenue limitations and rising costs. However, there is encouraging news as well – Fife’s assessed valuation (AV) provided by the Pierce County Assessor shows growth of more than 6.7% (2013 to 2014), increasing our AV to \$1.89 billion. This allows us to increase property tax revenues by the 1% allowable under state law for 2015 and 2016, while lowering the tax rate charged to property owners.

Developing a balanced budget requires balancing the needs of the City with available resources. This year it is even more challenging due to several inter-local agreements being in transition, the unknown impacts to state shared revenues as the state legislature struggles to balance its budget under a Supreme Court order to fully fund basic education, and the reclassification of Tribal fee lands as nontaxable real estate.

The move of dispatch operations to South Sound 911 and some of the city’s interlocal agreements for the provision of jail and dispatch services are examples of current contracts in transition. The proposed budget has reduced revenue projections and adjusted expenditures based on information available to date. These areas will be monitored and adjusted as needed.

### Salaries and Benefits

The City budgets all positions at 100% for each year, and the funded salaries and benefits include eligible step increases. All affiliated salary increases in 2015 and 2016 are per contracts. Currently, all affiliated group contracts are valid through 2017 or beyond. Unaffiliated salary increases in 2015 are commensurate with labor contracts.

Benefits include a 5.8% allowance for increases in medical in both 2015 and 2016. Dental includes a 6.0% increase in both 2015 and 2016, and vision costs assume a 5.0% increase in both 2015 and 2016. The City provides a high-deductible health plan with employer contributions to an HSA or VEBA account. PERS 2 and 3 employer pension rates include a rate increase from 9.21% in 2014 to 12.47% in 2015, effective July 1. All staffing changes are noted in the Appendix, Exhibit 7, with total authorized FTE’s of 149.97 in both 2015 and 2016.

### General Fund Budget Highlights

The total General Fund budget for 2015 and 2016, including fund balance, is \$22,046,677 and \$22,318,478 respectively. The 2015 budget is an 8.3% increase over the 2014 final budget. The 2016 budget is a 1.2% increase over 2015.

General Fund revenue and expenditure highlights include:

#### A.Revenues:

1.Property Taxes – From 2009 to 2013, the City experienced an annual decline in assessed valuation (AV). With the economy now beginning to recover, AV increased from \$1.77 billion in 2013 to \$1.89 billion in 2014 (6.7%) and is expected to continue this trend. The City plans a 1% levy increase in 2015 and 2016. The resulting property tax revenues are projected to remain flat at \$3.0 million in

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## Budget Message



2014 and 2015 due to the reclassification of Tribal fee lands as nontaxable real estate.

2. Sales Tax – Fiscal improvement is projected to occur at a moderate pace for the local, regional, and national economies in 2015 and 2016, affecting all City revenues. Sales taxes are projected to grow by an average of approximately 3.5% per year from 2013 to 2016. This represents an average of approximately \$224,000 in new revenue annually.

### B. Expenditures:

1. 2015 and 2016 General Fund Budget – The General Fund budget, exclusive of fund balance, totals \$18.8 million in 2015 and \$19.1 million in 2016 and compares to a final budget of \$18.2 million in 2014.

2. Fund Balance – The projected General Fund fund balance is projected to remain relatively stable from 2014 through 2016, with the following estimated ending fund balances:

Year	Estimated Ending Fund Balance
2014	\$3,078,687
2015	\$3,237,227
2016	\$3,197,644

C. Future Challenges: - Several potential challenges may impact the City and affect available revenues after adoption of the 2015-2016 budget. These include:

1. Continued economic recovery – The local, regional, and national economies have all improved at a moderate pace. Nationally, projected annual growth in 2015 and 2016 is expected to average around 3.0%; regionally, projections are slightly lower at 2.8%. The City will continue to monitor the economic outlook on an ongoing basis.

2. State Legislative action – The State’s 2015 Legislative Session will include the adoption of a two-year budget. Issues to be addressed by the legislature in 2015 include a transportation funding package and the billions of dollars needed to meet the State Supreme Court’s order mandating spending increases for K-12 education. At this time, it is not known if the State Legislature will need to cut local government revenues in order to balance the State budget.

The General Fund’s Non-Departmental expenses include budgets for salary and benefits for estimated accrual cash outs, Fife prisoner and electronic home monitoring costs, intergovernmental payments, Transfers-Out for debt service and to the Revenue Stabilization fund (\$10,000 per month or \$120,000 annually), and operating Transfers-Out to the Street and Detention Services funds as needed.

## Special Revenue Fund Budget Highlights

A. The Street Operating Fund consists of two divisions – Operations and Maintenance. Together, they maintain the City’s street system, including pavement, shoulder and sidewalk repairs; signage, street marking, traffic signals, vegetation and litter control; and emergency response and snow and ice removal. This fund’s revenue stream comes primarily from taxes (vehicle fuel tax and, to a lesser extent, liquor excise tax). However, since this is not a self-sustaining fund, operating transfers from the General Fund and Public Safety Fund make up the greatest percentage of revenue for the Street Fund. This fund’s budget totals \$959

# Section I : Introduction

## Budget Message



thousand in 2015 and \$1.01 million in 2016. Capital improvement projects are budgeted in the Street Construction Fund noted below.

B.The Public Safety Fund is used to account for monies derived from the City's Red Light Photo Enforcement Program. Expenditures from this fund may only be used in support of the program, including the City's administrative costs. However, if there are surplus funds, expenditures may occur for the following purposes:

- 1.Purchase & installation of school zone signs and lights;
- 2.Pedestrian overpass/underpass design & construction;
- 3.Sidewalk design & construction;
- 4.Streetlight acquisition, installation, operation & maintenance;
- 5.Signalized pedestrian crosswalks;
- 6.Purchase, design & construction of pedestrian trails for the purpose of redirecting pedestrian traffic off of high-volume streets; and
- 7.Design & construction of similar pedestrian safety oriented improvements

The 2015 budget includes \$2.25 million for bike lane improvements along Pacific Highway. This project is partially funded through a federal grant. This fund's budget totals \$5.5 million in 2015 and \$2.9 million in 2016.

C.The Stadium & Convention Tax Fund is used to account for those activities which facilitate the recruitment, retention and expansion of businesses; marketing and promotion of Fife as a destination city; promotion of special events; and increasing Fife's quality of life. This fund's revenue stream comes primarily from the receipt of Hotel/Motel Tax. The 2015 budget includes not only expenditures for annual events such as the Daffodil Parade & Festival and the City's own Harvest Festival, but also includes \$1.75 million for continued development of Brookeville Gardens Park. This fund's budget totals \$2.4 million in 2015 and \$635 thousand in 2016.

D.The Contingency Fund serves as the City's general savings fund, or where monies may be set-aside for unanticipated or unforeseen emergencies. This fund is budgeted to end 2016 with a balance of \$424 thousand. There are no expenditures budgeted for in either 2015 or 2016.

E.The Growth Management Fund is used to account for monies dedicated to the design and implementation of growth management programs as required and intended by State statute. From the work done during the Tideflats Area Transportation Study, the City partnered with Washington State Department of Transportation, Pierce County, Washington State Freight & Mobility Strategic Investment Board, The Puyallup Tribe, the City of Tacoma and the Port of Tacoma. This study developed recommendations for transportation projects to be completed in the partners' jurisdictions over the next 30 years to improve mobility and access. Several specific projects were identified, many of them having very clear benefits to the City of Fife.

This fund's revenue comes primarily from Real Estate Excise Taxes (REET), and the City estimates receiving \$369,000 in both 2015 and 2016. The 2015-2016 budget includes appropriations for the following projects:

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## Budget Message



### I. 2015

- a. 54th Avenue E. Interchange
- b. Jail Expansion
- c. Holt Property Development
- d. Improvements to the Community Center
- e. Improvements to the Swim Center

### II. 2016

- f. 54th Avenue E. Interchange
- g. Citywide Door Lock system
- h. Improvements to the Community Center
- i. Improvements to the Swim Center

This fund's budget totals \$1.16 million in 2015 and \$697 thousand in 2016.

F. The Park Acquisition & Development Fund is used to account for monies received and dedicated to the acquisition and development of City parks. The net proceeds from the sale of City property located at 5209 Pacific Highway East were deposited into this fund.

This fund's revenue comes primarily from Sales Tax (designated for parks), with lesser amounts from rents and impact fees. The 2015 budget also includes the receipt of \$136,000 in bond proceeds. The 2015-2016 budget includes appropriations for the following projects, in addition to debt service:

### I. 2015

- a. Brookville Gardens Park
- b. Holt Property Development

This fund's budget totals \$2.48 million in 2015 and \$675 thousand in 2016.

## Capital Project Fund Budget Highlights

The City's Capital Project Funds are used to account for resources that are restricted, committed or intended for the acquisition or construction of capital facilities or other capital assets. Capital improvements financed from general obligation bond proceeds will always be accounted for in one of the City's Capital Project funds. Capital projects related to utilities are accounted for in the appropriate enterprise fund. This fund's revenue stream primarily comes from grants, bond proceeds, interfund loans or interfund transfers. The City currently maintains four separate Capital Project funds, summarized as follows:

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## Budget Message



### **I. Street Construction Fund**

1. This fund is set to receive federal grants totaling \$1.5 million in 2015 and \$21.0 million in 2016.
2. State grants are anticipated in 2016, totaling \$1.83 million.
3. 2015 projects include: 70th Avenue E. preservation and 34th/12th Improvements
4. 2016 projects include: 34th/12th Improvements and 54th Avenue E. restoration
  - a. The budget totals \$1.9 million in 2015 and \$26.8 million in 2016, excluding ending fund balance.

### **II. 66th Avenue LID Fund**

1. This fund will receive LID BAN Proceeds totaling \$2.96 million in 2015.
2. The 66th Avenue E. extension project is budgeted for in both 2015 and 2016.
3. The budget totals \$660 thousand in 2015 and \$2.3 million in 2016, excluding ending fund balance.

### **III. Recreational & Pedestrian Capital Facilities Fund**

1. This fund is scheduled to receive nominal interest earnings in 2015 and 2016, and no projects are currently budgeted for.

### **IV. Miscellaneous Capital Projects Fund**

1. Several projects are planned for 2015, including:
  - a. Economic Development Plan, City Center\*
  - b. Downtown District SEPA
  - c. South Municipal Campus Phase I\* and Fountain relocation
  - d. 54th Avenue E. grade separation
2. 2016 projects include the continuation of the above projects noted with \*
  - a. The budget totals \$3.6 million in 2015 and \$2.9 million in 2016, excluding ending fund balance.

## Enterprise Fund Budget Highlights

A. Water, Sewer and Storm Drainage utilities underwent a rate and revenue requirements update in 2014 with revised rates approved in Ordinance No's. 1883, 1884 and 1885. Based on the recommendations of an outside consulting group, utility rates will be adjusted as follows:

1. Water Utility – Rates were set for 2014 and 2015; Effective January 1, 2016, rates will be adjusted based on a weighted average inflation index formula.

# Section I : Introduction

## Budget Message



2.Sewer Utility – Rates will be increased by 45% for 2015; Effective January 1, 2016, rates will be adjusted based on a weighted average inflation index formula (through 2020).

3.Storm water Utility - Effective January 1, 2020, rates will be adjusted based on a weighted average inflation index formula.

Funding in 2015 also includes \$2.3 million in planned new revenue bonds to finance capital projects in the sewer utility.

The total amount budgeted in the Water Utility is \$4.8 million in 2015 and \$4.5 million in 2016; of these total amounts, planned expenditures for capital improvements total \$3.9 million (2015) and \$3.6 million (2016). The Water Utility operating fund is expected to have an ending fund balance of \$308 thousand at the end of 2016.

The total amount budgeted in the Sewer Utility is \$6.6 million in 2015 and \$6.8 million in 2016; of these total amounts, planned expenditures for capital improvements total \$1.6 million (2015) and \$1.4 million (2016). The Sewer Utility operating fund is expected to have an ending fund balance of \$1.8 million at the end of 2016.

The total amount budgeted in the Storm water Utility is \$5.6 million in 2015 and \$2.2 million in 2016; of these total amounts, planned expenditures for capital improvements total \$3.7 million (2015) and \$650 thousand (2016). The Storm water Utility operating fund is expected to have an ending fund balance of \$508 thousand at the end of 2016.

## Internal Service Fund Budget Highlights

A.Detention Services Fund – The City of Fife provides jail services and Electronic Home Detention (EHD) services to several other jurisdictions throughout the region. In addition to accounting for the costs of Fife prisoners, the City currently has interlocal agreements to provide services for several neighboring cities. Services provided include booking, transport, housing and electronic home monitoring. This fund’s budget totals \$4.78 million in 2015 and \$4.72 million in 2016. At the end of 2016, this fund has a budgeted ending fund balance of \$148 thousand.

B.Fleet Services Fund – The Fleet Fund is responsible for purchase, repair, and maintenance of all City-owned vehicles and major equipment. This includes the outfitting of police vehicles and handling of drug-seized vehicles. The 2015 budget includes \$297 thousand for the purchase and replacement of various vehicles and equipment; \$65 thousand is budgeted in 2016 for the same purpose. This fund’s budget totals \$685 thousand in 2015 and \$460 thousand in 2016. At the end of 2016, this fund has a budgeted ending fund balance of \$1.6 million.

C.Self-Insured Employee Benefits Fund – General Fund transfers are deposited into this fund monthly for the payment of qualified healthcare claims/reimbursements submitted to a third party administrator by employees under an HRA plan.

## In Conclusion...

The 2015-2016 budget for the City of Fife represents a balanced approach to planning for Fife’s future. It

# Section I : Introduction

## Budget Message



continues a reasonable level of service while maintaining the financial integrity of the City. The increase in residential development and an increasing population are placing greater demands upon City services. Increases in programs must be managed carefully and expanded only as revenues become available. Every opportunity to increase revenue from sales tax must be explored and careful consideration given to each possibility.

The 2015-2016 budget has been prepared in response to the general direction given by City Council at various retreats, council meetings and study sessions. It conveys to the City Council, community, and City staff the direction and emphasis on customer service, performance, efficiency and transparency. As the budget document, it is intended to assist City Council address its policies and services, and to provide direction to staff as to the programs, projects, and levels of service they wish to provide to the community.

The City Council and employees are dedicated to serving the public. Through this budget, we strive to improve the services we provide and make the City of Fife an even better place to live, work and play.

Staff wishes to thank the City Council for its guidance in creating the 2015-2016 Fife City Budget.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Subir Mukerjee', with a long horizontal flourish extending to the right.

Subir Mukerjee  
City Manager

# Section I : Introduction

## Budget Process



### BUDGET PROCESS

Procedures for Adopting the Biennial Budget – The City’s budget process and the time limits under which the budget must be prepared are defined by the Revised Code of Washington (RCW) 35A.34. The procedures followed in establishing the biennial budget are described below:

Budget Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
City Council establishes overall City priorities.	█											
City Manager provides direction on budget priorities.						█						
Finance Dept. provides budget instructions consistent with City Council & City Manager direction.						█						
Departments prepare preliminary expenditure estimates including requests for personnel, equipment, or new programs.						█	█					
Department line-item budgets are submitted to Finance by mid-July.							█					
Finance Dept. prepares budget for presentation to City Manager.								█				
Finance Dept. prepares preliminary revenue estimates.								█				
City Manager & Finance staff meet with Dept. staff to review budget proposals.								█				
City Manager directs Finance Dept. to make specified adjustments to establish a balanced budget.									█			
A proposed budget is prepared, printed, and filed with the City Clerk and presented to the City Council (at least 60 days prior to the ensuing fiscal year).									█			
The City Council conducts preliminary public hearings.										█		



# Section I : Introduction

## Budget Process



Budget Task (cont.)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
The City Clerk publishes a notice of the filing of the proposed budget and publishes notice of public hearing.												
The City Council holds a series of study sessions and hearings to review the proposed budget recommended by the City Manager.												
The City Council instructs the City Manager to make modifications to the budget.												
The City Council adopts an ordinance to establish the amount of property taxes to be levied in the ensuing year.												
The City Council adopts the final budget by ordinance by December 31.												
The final budget, as adopted, is published and distributed by February 28 of the new year.												

Amending the Budget – The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority.

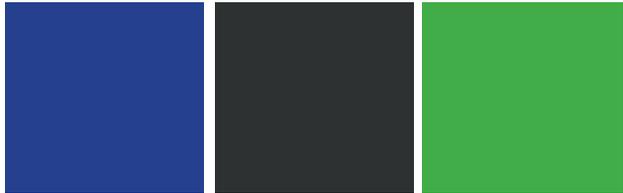


# Section I : Introduction

## Budget Guidelines



### BUDGET POLICY GUIDELINES



#### **V. OPERATING BUDGET**

##### A. OVERALL

1. The purpose of budget policies are:

- a. to ensure the City maintains a financial base sufficient to sustain a consistent level of municipal services;
- b. to ensure the City is able to withstand local and regional economic variations;
- c. to adjust to changes in the service requirements of the community, and;
- d. to maintain a good credit rating in the financial community which assures taxpayers that City government is well managed financially and maintained in sound fiscal condition.

2. The budget should be a performance, financing, and spending plan agreed to by the City Council, City Manager, and Department Directors. It should contain information and data regarding expected revenues, anticipated expenditures, and expected performance.

3. The City will prepare and annually refine written policies and goals to guide the preparation of performance, financing, and spending plans for the City budget. Adopted budgets will comply with the adopted budget policies and Council priorities.

4. As a comprehensive business plan, the budget should provide the following critical elements recommended by the Government Finance Officers Association (GFOA): public policies, financial plan, operations guide, and communications device.

5. The City's budget presentation should display the City's service delivery/performance plan in a Council/constituent-friendly format. Therefore, the City will use a department budgeting format to convey the policies and purposes of City operations.

6. Decision making for capital improvements will be coordinated with the operating budget to make effective use of the City's limited resources for operating and maintaining facilities.

7. Under the City Manager's direction, Department Directors have primary responsibility for: a) formulating budget proposals in line with City Council and City Manager priorities, and b) implementing those proposals once they are approved.

##### B. FISCAL INTEGRITY

1. The City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets which provide services and maintain certain public facilities, streets and utilities. It is the City's intent to maximize the level of public goods and services while minimizing the level of debt.

2. Ongoing operating program costs may not exceed the amount of ongoing revenue to finance those

# Section I : Introduction

## Budget Guidelines



costs. The ongoing revenue will be identified along with new program costs. Any available carryover balance may be used to offset one-time or non-recurring costs.

3. Cash balances in excess of the amount required to maintain strategic reserves may be used to fund one-time or non-recurring costs.

### C. RESERVE POLICIES

1. As part of the City budget, the City Council should appropriate sufficient resources to the Contingency Fund 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 annual budget, or from which to provide monies for emergencies as defined by law (RCW 35A.33.145). The goal for funding of the Contingency Reserve is to maintain a balance with which to respond to critical unforeseen needs of the City without diverting resources from other important services, but not to exceed the legal maximum funding of the equivalent 37.5 cents per thousand.

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

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

4. Other Funds – All other funds of the City are used to account for restricted revenue sources provided for a specifically defined service or expense. Any reserve requirements should be determined by the City Manager as part of the budget process.

### D. REVENUES

1. Revenue estimates shall not assume any growth rate in excess of inflation. Real growth that occurs will be recognized through budgetary adjustments only after it takes place. This practice imposes short-term constraint on the level of public goods or services. However, in the event that revenues are less than expected, it minimizes the likelihood of severe reductions which may be disruptive to the goal of providing a consistent level of quality services.

2. The City will establish and maintain Special Revenue Funds to account for proceeds from specific sources to finance designated activities required by statute, ordinance, resolution or executive order.

3. All fees for services shall be reviewed and adjusted (as necessary) at least every biennium to ensure that fees are equitable and they cover the total cost of service or that percentage of total service cost deemed appropriate by the City.

4. Revenues of limited or indefinite term should be used for capital projects or one-time operating expenditures to ensure that no ongoing services are lost when such revenues are reduced or discontinued.

5. Grant applications to fund new service programs with state or federal funds will be reviewed by the City, as they become available, with due consideration being given to whether locally generated reve-

# Section I : Introduction

## Budget Guidelines



nues will be required to support these programs when outside funding is no longer available.

### E. EXPENDITURES

1. Before the City undertakes any agreements that would create fixed ongoing expenditures, the cost implications of such agreements will be fully determined for current and future years with the aid of the City's strategic financial forecast.

### F. MULTI-YEAR FORECAST

1. Each year, the City will update revenue and expenditure forecasts for the next six years. Projections will include estimated operating costs for future capital improvements that are included in the capital budget.

2. These estimates will be presented to elected officials in a form that will facilitate budget decisions and strategic planning, based on a multi-year strategic planning perspective.

### G. MINIMIZATION OF ADMINISTRATIVE COSTS

1. An appropriate balance will be maintained between resources allocated for direct services to the public and resources allocated to assure sound management, internal controls and legal compliance.

### H. CITIZEN INVOLVEMENT

1. Citizen involvement shall be encouraged in the budget decision-making process through public hearings and study sessions.

2. Involvement shall also be facilitated through City boards, commissions, and task forces, which shall serve in advisory capacities to the City Council and/or City Manager.

## VI. CAPITAL BUDGET

### A. FISCAL POLICIES

1. Capital project proposals should include cost estimates that are as complete, reliable, and attainable as possible. Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. Project cost estimates for the Six-Year Capital Improvement Plan will vary in reliability depending on whether they are to be undertaken in the first, third, or sixth year of the Plan.

2. Project proposals should indicate the project's impact on the operating budget, including, but not limited to, long-term maintenance costs necessary to support the improvement.

3. The annual Capital Budget shall include only those projects which can reasonably be accomplished in

# Section I : Introduction

## Budget Guidelines



the time frame indicated. Each budgeted project should include a projected schedule.

4. Capital projects which are not completed during the fiscal year will be rebudgeted or carried over to the next fiscal year except as reported to and approved by the City Council. All rebudgeted capital projects should be so noted in the adopted Capital Budget. Similarly, multi-year projects with unexpended funds will be carried over to the subsequent year(s).

5. Capital projects will not be budgeted unless there are reasonable expectations that revenues will be available to pay for them.

6. Citizen participation in the Capital Improvement Program is a priority for the City. Among the activities which shall be conducted to address this need are the following:

a. The Capital Improvement Plan (CIP) shall be provided to City Council in a timely manner to allow time for the Council members to review the proposal with constituents prior to its adoption.

b. Council study sessions on the CIP shall be open to the public and advertised sufficiently in advance of the meetings to allow for the attendance of interested citizens.

c. Prior to the adoption of the CIP, the City Council shall hold noticed public hearings to provide opportunities for citizens to express their opinions on the proposed plan.

7. All projects included in the Capital Improvement Plan should be consistent with the City's Comprehensive Plan. The goals and policies for services, facilities, and transportation should be followed in the development of the Capital Improvement Plan. The Comprehensive Plan service level goals should also be included in the CIP.

8. Capital projects shall be financed to the greatest extent possible through user fees, grants, and benefit districts when direct benefit to users results from construction of the project.

9. Projects that involve intergovernmental cooperation in planning and funding should be established by an agreement that sets forth the basic responsibilities of the parties involved.

10. The Council will annually review and establish criteria against which capital proposals should be measured. Included among the factors which will be considered for priority-ranking are the following:

a. Projects which have a positive impact on the operating budget (reduced expenditures, increased revenues);

b. Projects which are identified in the Six-Year Capital Improvement Plan;

c. Projects which can be completed or significantly advanced during the Six-Year Capital Improvement Plan;

d. Projects which can be realistically accomplished during the year they are scheduled; and

e. Projects which are aligned with previous Council-adopted strategies.

### B. DEBT POLICIES

1. A debt policy can help the City Council and staff integrate the issuance of debt with other long-term planning, financial, and management objectives. It also evaluates the impact of each issue on the City's

# Section I : Introduction

## Budget Guidelines



overall financial position. Finally, a debt policy provides guidance to the City Council and staff so as not to exceed acceptable levels of indebtedness.

### 2. Long-term borrowing:

a. General obligation bonds, or G.O. Bonds, are secured by the full faith and credit of the City. General obligation bonds issued by the City are secured by a pledge of the City's ad valorem taxing power. There are two basic types of general obligation bonds:

i. Limited tax general obligation bonds, also called LTGO bonds, may be issued by a vote of the City Council. General fund revenues are pledged to pay the debt service on these councilmanic or "non-voted" bonds, as voters have not approved a tax increase to pay for the principal and interest.

ii. Unlimited tax general obligation bonds, also called UTGO bonds, must be approved by 60 percent of the voters, with a voter turnout at least 40 percent of those voting in the most recent general election. Voters are not only voting for the approval to issue bonds, but they are also voting for an excess levy to fund debt service payments.

iii. Revenue bonds are issued to finance facilities that have a definable user or revenue base, usually a City enterprise that is self-supporting. These debt instruments are secured by a specific source of funds, either from the operations of the project being financed or from a dedicated revenue stream, rather than the general taxing powers of the City. Generally, no election is required prior to the issuance of revenue bonds.

iv. Special assessment bonds or local improvement districts (LIDs) are obligations payable from special assessment revenue. These bonds are issued to finance improvements that benefit a specific area. LID's are commonly used for projects such as street improvements, street lights, sidewalks, and water and sewer systems, and a special assessment is levied only on the properties benefitting from the project.

v. Utility local improvement districts (ULIDs) may be formed in a manner similar to LIDs for the purpose of providing water systems, sewer and storm drainage systems, and parking garages. The primary difference is that revenue bonds must be issued for ULIDs, assessments must be deposited in a fund to pay off the revenue bonds, and the bonds are backed both by assessments and utility revenue.

### 3. Short-term borrowing:

a. Notes, such as bond anticipation notes (BANs) or tax anticipation notes (TANs), are short-term promises of the City to repay a specified principal amount on a certain date, together with interest at a stated or derived rate, payable from a defined source of anticipated revenue such as bonds, anticipated taxes, or some other revenue source expected to be received at a future date.

b. Lines of credit are another short-term borrowing option that provide an alternative to anticipation notes.

4. City Council approval is required prior to the issuance of debt. In addition, an analytical review shall be conducted prior to the issuance of debt to determine if there are reasonable alternatives and to reduce the cost of borrowing.

# Section I : Introduction

## Budget Guidelines



### VII. DEBT MANAGEMENT POLICY

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 as well as the City's credit rating if not used prudently. Excessive use of debt can also create undue tax burden on city property owners. Therefore, the City has adopted the following policies related to its use of debt:

1. Debt will be used solely to fund capital expenses (which may include city costs associated with the capital project) and long-term obligations. Debt will not be used to fund operating expenses.
2. Utility debt will be secured solely by the revenues of the utility, or by special assessments in the case of Utility Local Improvement Districts (ULIDs), and will not ordinarily be secured by a general pledge of the City's revenues.
3. 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 outstanding debt and its compliance with State debt limits.
4. The City will reserve at least 20% of its non-voted legal debt capacity to provide for emergency needs.
5. 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 project being financed.



# Section I : Introduction

## Basis of Accounting & Budgeting



### Accounting

Accounting records for the City are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State law, Chapter 43.09 RCW, and in compliance with OCBOA (other comprehensive basis of accounting) as set forth by the Governmental Accounting Standards Board.

### Basis of Presentation

The accounts of the City are organized on the basis of funds and accounts. Each fund is a separate accounting entity with a self-balancing set of accounts. The City's resources are allocated to and accounted for in individual funds according to the purpose for which they are spent and how they are controlled. There are three categories of funds: 1) governmental, 2) proprietary, and 3) fiduciary. A purpose and description of each fund is provided on the fund pages in the Budget by Fund section of this budget document. A description of the three fund categories is provided below.

#### 1. Governmental Funds

Governmental funds are used to account for activities typically associated with state and local government operations. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds. The four generic fund types in this category are described in the following paragraphs.

**a. The General Fund** is the general operating fund of the City and accounts for all activities not required to be accounted for in some other fund.

**b. Special Revenue Funds** account for the proceeds of specific revenue sources, other than expendable trusts or revenues designated for major capital projects, that are legally restricted to expenditures for specific purposes.

**c. Debt Service Funds** account for the accumulation of resources for and the payment of general long-term debt, principal, interest, and related costs.

**d. Capital Projects Funds** account for the acquisition or construction of major capital facilities except those financed by proprietary funds and trust funds.

#### 2. Proprietary Funds

Proprietary Funds are used to account for activities similar to those found in the private sector where the intent of the governing body is to finance the full cost of providing services, including depreciation, primarily through user fees. All proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. ex-

# Section I : Introduction

## Basis of Accounting & Budgeting



penses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. As described below, there are two generic fund types in this category.

**a. Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is to finance or recover, primarily through user fees, the costs of providing goods or services to the general public on a continuing basis.

**b. Internal Service Funds** account for the business-like activities where related goods or services are provided to other departments or funds of the City on a cost-reimbursement basis.

### 3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These funds share characteristics with both the governmental and proprietary funds and therefore, as described below, use the measurements focus and basis of accounting most appropriate to their specific operations. This fund category includes expendable trust, nonexpendable trust, pension trust, and agency funds.

## Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures or expenses in the accounts and reporting them in the financial statements. The City uses the cash basis of accounting, recognizing revenues when received and expenditures when paid. In accordance with state law, the City also recognizes expenditures paid within 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 describe above represents a comprehensive basis of accounting (OCBA) other than generally accepted accounting principles (GAAP) of the United States.

## Basis of Budgeting

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

## Budgets and Budgetary Accounting

**Scope of Budget** – Biennial appropriated budgets are adopted for the general, special revenue, debt service, and proprietary funds on the cash basis of accounting. Budgets for project/grant related special revenue funds and capital project funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of the projects.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total

# Section I : Introduction

## Basis of Accounting & Budgeting



appropriation amount. Any unexpended appropriation for annually budgeted funds lapse at the end of the biennium. Therefore, these appropriations may be reappropriated each biennium until the project is complete. The individual funds within each fund type, which are included in the City's annual operating budget, are listed below:

### Funds Budgeted on an Annual Basis

*General Fund* is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for specific revenue sources that are legally restricted to expenditures for a specific purpose. The City currently maintains the following twelve special revenue funds:

- Street Fund
- Stadium/Convention Tax Fund
- Growth Management Fund
- D.A.R.E. Fund
- Drug Intervention Fund
- Revenue Stabilization Fund
- Public Safety Fund
- Contingency Fund
- Criminal Justice Fund
- Impact & Mitigation Fund
- Park Acquisition/Development Fund
- Police Grants Fund

*Debt Service Funds* are used to account for the accumulation of resources and the payment of general long-term debt. The City currently maintains the following six debt service funds:

- 2007 LTGO/Street Construction
- 1997 LTGO Bond Fund
- 2013 Consolidated LID #1
- LID Guaranty Fund
- 2011 LTGO Bond Fund
- 2014 LTGO Bond Fund

*Enterprise Funds* account for operations that are normally financed and operated in a manner similar to a private business enterprise where the intent of the governing body is to recover the costs of providing goods and/or services to the general public through user fees. The City currently maintains the following seven enterprise funds:

- Water Utility Operations Fund
- Sewer Utility Operations Fund
- Storm Drainage Operations Fund
- Parity Revenue Bond Fund
- Water Utility Construction Fund
- Sewer Utility Construction Fund
- Storm Drainage Construction Fund

*Internal Service Funds* are used to account for the financing of goods and/or services provided by one department or fund of the governmental unit to another department or fund on a cost reimbursement basis. The City currently maintains the following three internal service funds:

- Detention Services Fund
- Self-Insurance/Benefits Fund
- Fleet & Equipment Fund

*Capital Project Funds* account for the financial resources to be used for the acquisition or construction of major non-utility capital projects, programs or facilities. The City currently maintains four capital project funds:

- Street Construction Fund
- Recreation & Pedestrian Capital Facilities Fund
- 66th Avenue East LID Fund
- Misc. Capital Projects Fund