



# Agenda Bill

City Council Special & Regular Business Meetings - 07 Oct 2019

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**Department**

Finance

**Staff Contact**

Eric Christensen, Finance Director (206) 439-3150

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**Agenda Bill Title**

Presentation and Discussion on the 2019-2020 Mid-Biennium Budget Review and Adjustment, including Proposed 2020 Financial Policies.

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**Summary**

The purpose of this agenda item is for staff to present an overview of the 2019-2020 Mid-Biennium Budget Review and Adjustment, including proposed 2020 Financial Policies. By way of background, on December 17, 2018, the City Council adopted the 2019-2020 Biennial Budget via Ordinance No. 699. On July, 15, 2019, the City Council adopted Ordinance No. 711 to amend the budget to primarily pay for goods and services authorized in the prior biennium. The mid-biennium review and adjustment addresses budgetary items that need modification and by state law, must be completed no sooner than September 1 and no later than December 31.

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**Attachments**

[Mid-Bi Presentation 10-07-19](#)

[2020 Financial Policies Draft 10-07-19](#)

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# 2019-2020 Mid-Biennium Review and Adjustment

October 7, 2019



# Introduction

## Where we are:

First public hearing	October 7
Presentation & discussion	October 7

## Where we're going:

Continued presentation & discussion	October 21
Second public hearing	November 4
Introduction of Property Tax Levy	November 4
Introduction of the Surface Water Management Rates	November 4
Adoption of Property Tax Levy	November 18
Adoption of Surface Water Management Rates	November 18
Adoption of budget, including 2020 Financial Policies	December 2

# Key Themes

## 2019-2020 Adopted Budget

Maintain City's financial sound position

- Ongoing revenues are balanced with ongoing expenditures
- Healthy reserves

Provide funding for important programs and services

Begin to address the structural imbalance

- Limited revenues not keeping pace with expenditures
- Expiration of the Sales Tax Annexation Credit
- 100% of the Property Tax allocated to the General Fund in 2020
- Consideration of new/enhanced revenue sources
- Insufficient investments in infrastructure
- Staffing levels lower than comparable jurisdictions

# Council-Directed Revenue Options

Revenue Source	Increase	Est. Revenue Impact	Year Implemented
Gambling Tax	From 8% to 11%	\$130,000	2019
Seattle City Light Franchise Fee	From 6% to 8%	\$400,000	2020

## Under Consideration

Revenue Source	Increase	Est. Revenue Impact
Utility Tax/Franchise Fee – Water and Sewer	From 0% to 6%	\$1 million

# Mid-Biennium Review & Adjustment

## General Fund Reserves

Reserve	Policy/Purpose	Estimated 2020 Target
Operating Reserve	20% of budgeted revenues	\$6.1 million
City Manager's Designated Reserve	For economic risk and unexpected costs	\$5.2 million
Capital Partnership Reserve Assigned Funds	Partnership with other agencies on shared capital facilities	\$7.5 million
Capital Equipment Assigned Funds	Purchase furnishings or equipment for new City facilities	\$1 million
Parking Reserve	Restricted for parking development costs	\$138,000

# Mid-Biennium Review & Adjustment

## General Fund Revenues

Revenues	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
<b>BEGINNING FUND BALANCE</b>	<b>23,736,990</b>	<b>(173,324)</b>	<b>23,563,666</b>	<b>21,857,311</b>	<b>(535,329)</b>	<b>21,321,982</b>
Property Tax	7,065,000	-	7,065,000	7,980,000	-	7,980,000
Sales Taxes	10,505,000	-	10,505,000	10,385,000	-	10,385,000
Business and Occupation Tax	1,575,000	-	1,575,000	1,605,000	-	1,605,000
Utility Taxes	2,480,000	-	2,480,000	2,525,000	-	2,525,000
Gambling Taxes	460,000	-	460,000	460,000	-	460,000
Licenses and Permits	1,834,000	-	1,834,000	1,875,000	-	1,875,000
Intergovernmental Revenue	2,617,972	162,350	2,780,322	2,570,000	667,850	3,237,850
Charges for Goods and Services	1,155,000	-	1,155,000	1,167,600	-	1,167,600
Miscellaneous Revenue	1,215,000	57,085	1,272,085	1,220,000	(55,000)	1,165,000
<b>TOTAL REVENUES</b>	<b>28,906,972</b>	<b>219,435</b>	<b>29,126,407</b>	<b>29,787,600</b>	<b>612,850</b>	<b>30,400,450</b>
Transfers In	80,000	-	80,000	80,000	-	80,000
<b>TOTAL REVENUES &amp; TRANSFERS IN</b>	<b>28,986,972</b>	<b>219,435</b>	<b>29,206,407</b>	<b>29,867,600</b>	<b>612,850</b>	<b>30,480,450</b>

# Mid-Biennium Review & Adjustment

## General Fund Revenues

Revenue Changes	Ongoing / One-time	2019	2020
Increase Marijuana Excise Tax Revenues	ongoing	50,000	50,000
Increase Intergovernmental Seattle City Light	ongoing	-	310,000
House Bill 1406 Funding (Affordable Housing Investments)	ongoing	-	65,500
Grant - Port of Seattle	ongoing	51,850	51,850
Grant - Local Housing Action Plan	one-time	-	100,000
Grant - Community Development Block Grant - Microenterprise	one-time	45,000	45,000
Grant - Senior Services Shape-Up	ongoing	-	5,000
Grants - Recreation Program Support	ongoing	15,500	15,500
Grant - Recreation Equipment Funding	one-time	-	25,000
Police confiscated/forfeited property	ongoing	-	(55,000)
Insurance recovery for Town Square Park fountain repairs	one-time	57,085	-
<b>TOTAL GENERAL FUND REVENUE CHANGES</b>		<b>219,435</b>	<b>612,850</b>

# Mid-Biennium Review & Adjustment

## General Fund Expenditures

Expenditures	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
Salaries and Wages	5,935,900	13,550	5,949,450	6,164,700	176,100	6,340,800
Personnel Benefits	2,272,855	7,150	2,280,005	2,354,680	130,762	2,485,442
Supplies	329,141	15,250	344,391	302,950	1,900	304,850
Professional Services	3,927,897	459,390	4,387,287	3,722,265	979,390	4,701,655
Other Services	1,249,565	67,100	1,316,665	1,280,365	(21,700)	1,258,665
Intergovernmental Services	15,349,356	19,000	15,368,356	15,681,500	(372,000)	15,309,500
Capital Outlay	1,425,437	-	1,425,437	150,000	(75,000)	75,000
<b>TOTAL EXPENDITURES</b>	<b>30,490,151</b>	<b>581,440</b>	<b>31,071,591</b>	<b>29,656,460</b>	<b>819,452</b>	<b>30,475,912</b>
To Equipment Reserve Fund	150,000	-	150,000	150,000	-	150,000
To Art in Public Places Fund	26,500	-	26,500	26,500	-	26,500
To Debt Service Fund	200,000	-	200,000	200,000	-	200,000
To Parks & General Government CIP Fund	-	-	-	-	1,000,000	1,000,000
<b>TOTAL TRANSFERS OUT</b>	<b>376,500</b>	<b>-</b>	<b>376,500</b>	<b>376,500</b>	<b>1,000,000</b>	<b>1,376,500</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>30,866,651</b>	<b>581,440</b>	<b>31,448,091</b>	<b>30,032,960</b>	<b>1,819,452</b>	<b>31,852,412</b>

# Mid-Biennium Review & Adjustment

## General Fund Expenditures

Expenditure Changes by Category	Ongoing / One-time	2019	2020
1 FTE - Rental Housing Inspection Program Coordinator	one-time	20,700	125,400
0.75 FTE - Accounting Assistant	ongoing	-	78,400
Temporary Intern revision (increase 0.5 FTE)	one-time	-	53,070
PaRCS overtime	ongoing	-	22,800
PaRCS standby	ongoing	-	42,000
Net effect of 2020 payroll adjustments	ongoing	-	(14,808)
<b>TOTAL PAYROLL CHANGES</b>		<b>20,700</b>	<b>306,862</b>
Computer, phone, etc. for new Rental Housing Inspection Coordinator	one-time	4,110	-
Town Square Park fountain repairs (reimbursed by insurance)	one-time	9,990	-
Supplies for Senior Center (grant-funded)	ongoing	1,150	1,900
<b>TOTAL SUPPLIES CHANGES</b>		<b>15,250</b>	<b>1,900</b>

# Mid-Biennium Review & Adjustment

## General Fund Expenditures

Expenditure Changes by Category	Ongoing / One-time	2019	2020
Climate Action Plan	one-time	-	100,000
Severe Weather Shelter & Transitional Housing	one-time	-	100,000
Encampment Clean-Up	ongoing	-	50,000
Winter Public Space Activation & Marketplace Development	ongoing	18,500	18,500
Microenterprise program (grant-funded)	one-time	45,000	45,000
Discover Burien funding (to water plants on 153rd)	ongoing	-	2,000
Small Business Development Center (toward match on state funds)	ongoing	-	2,000
Affordable housing (HB 1406)	ongoing	-	65,500
Burien Back to School Resource Fair	ongoing	-	3,000
Burien Magazine cost adjustment	ongoing	40,000	40,000
Software licensing cost increase (IT, Legal, PaRCS)	ongoing	1,170	17,440
City email security improvements	ongoing	-	10,000
Animal control services cost increase	ongoing	1,500	7,000
Return Finance consulting contingency	ongoing	-	15,000

Professional Services continued on next slide

# Mid-Biennium Review & Adjustment

## General Fund Expenditures

Continued from previous slide

Expenditure Changes by Category	Ongoing / One-time	2019	2020
Finance software licensing cost increase	ongoing	-	10,000
Increase in State Audit billing rate	ongoing	-	7,500
Legal services (litigation consulting, overflow legal, etc.)	ongoing	303,000	80,000
City Hall repairs and maintenance (elevator & roof overlay)	one-time	-	80,000
Create reserve fund with Library	ongoing	-	17,000
Reduce Public Works existing budget to fund reserve with Library	ongoing	-	(17,000)
Local Housing Action Plan (grant-funded)	one-time	-	100,000
Urban Center Environmental Impact Statement	one-time	-	175,000
Marketing for Parks, Recreation and Cultural Services events	ongoing	23,000	23,000
Town Square Park fountain repairs (reimbursed by insurance)	one-time	620	-
Services provided for Senior Center (grant-funded)	ongoing	14,100	15,950
Recreation programs (grant-funded)	ongoing	12,500	12,500
<b>TOTAL PROFESSIONAL SERVICES CHANGES</b>		<b>459,390</b>	<b>979,390</b>

# Mid-Biennium Review & Adjustment

## General Fund Expenditures

Expenditure Changes by Category	Ongoing / One-time	2019	2020
Food for Council meetings	ongoing	2,500	2,500
Adjust telephone/internet cost	ongoing	14,600	15,000
Controlled access to public internet at City facilities	ongoing	-	6,000
Increase Finance training costs	ongoing	-	2,300
Increase insurance cost	ongoing	-	3,000
Reduce legal services budget	ongoing	(7,500)	-
Increase Building Department costs for code cycle year	one-time	-	1,500
Move expenditures of police seizures to new fund	ongoing	-	(55,000)
Recreation Programs (grant-funded)	ongoing	3,000	3,000
Town Square Park fountain electrical (reimbursed by insurance)	one-time	25,000	-
Town Square Park fountain control panel (reimbursed by insurance)	one-time	17,837	-
Town Square Park fountain repairs (reimbursed by insurance)	one-time	11,664	-
<b>TOTAL OTHER SERVICES CHANGES</b>		<b>67,100</b>	<b>(21,700)</b>
Adjust jail contract	ongoing	19,000	(372,000)
<b>TOTAL INTERGOVERNMENTAL CHANGES</b>		<b>19,000</b>	<b>(372,000)</b>
Council Chambers upgrade (carried forward in 2019)	one-time	-	(100,000)
Purchase of a pottery wheel (grant-funded)	one-time	-	25,000
<b>TOTAL CAPITAL OUTLAY CHANGES</b>		<b>-</b>	<b>(75,000)</b>
<b>TOTAL GENERAL FUND EXPENDITURE CHANGES</b>		<b>581,440</b>	<b>819,452</b>

# Mid-Biennium Review & Adjustment

## General Fund Expenditures & Transfers Out

Changes by Department	2019	2020
City Council	6,400	6,400
City Manager's Office	100	258,533
Human Services	600	86,103
Economic Development	63,900	22,024
Administrative Services	39,500	(9,449)
Finance	19,600	(252,510)
Legal	320,700	209,552
Police	300	(54,700)
Public Works	(1,100)	154,725
Community Development	(1,100)	259,405
Parks, Recreation & Cultural Services	132,540	139,369
<b>TOTAL EXPENDITURE CHANGES</b>	<b>581,440</b>	<b>819,452</b>
Transfer to Parks & General Government CIP Fund	-	1,000,000
<b>TOTAL EXPENDITURE AND TRANSFERS OUT CHANGES</b>	<b>581,440</b>	<b>1,819,452</b>

# Mid-Biennium Review & Adjustment

## Other Operating Funds

Other Operating Funds	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
<b>Street Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>1,394,350</b>	<b>38,245</b>	<b>1,432,595</b>	<b>1,258,435</b>	<b>37,295</b>	<b>1,295,730</b>
Revenues	2,990,000	-	2,990,000	3,085,000	-	3,085,000
Transfers In	-	-	-	-	-	-
Expenditures	2,215,915	950	2,216,865	2,240,735	(15,662)	2,225,073
Transfers Out	910,000	-	910,000	1,555,000	-	1,555,000
<b>ENDING FUND BALANCE</b>	<b>1,258,435</b>	<b>37,295</b>	<b>1,295,730</b>	<b>547,700</b>	<b>52,957</b>	<b>600,657</b>
<b>Surface Water Management Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>1,326,825</b>	<b>236,733</b>	<b>1,563,558</b>	<b>986,935</b>	<b>231,233</b>	<b>1,218,168</b>
Revenues	3,572,418	-	3,572,418	3,658,000	-	3,658,000
Transfers In	-	-	-	-	-	-
Expenditures	2,602,308	5,500	2,607,808	2,672,005	9,965	2,681,970
Transfers Out	1,310,000	-	1,310,000	1,310,000	500,000	1,810,000
<b>ENDING FUND BALANCE</b>	<b>986,935</b>	<b>231,233</b>	<b>1,218,168</b>	<b>662,930</b>	<b>(278,732)</b>	<b>384,198</b>

# Mid-Biennium Review & Adjustment

## Other Operating Funds

Other Operating Funds	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
<b>Equipment Reserve Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>1,226,215</b>	<b>142,068</b>	<b>1,368,283</b>	<b>1,273,437</b>	<b>142,068</b>	<b>1,415,505</b>
Revenues	25,000	-	25,000	25,000	-	25,000
Transfers In	270,000	-	270,000	270,000	-	270,000
Expenditures	247,778	-	247,778	90,000	28,000	118,000
Transfers Out	-	-	-	-	-	-
<b>ENDING FUND BALANCE</b>	<b>1,273,437</b>	<b>142,068</b>	<b>1,415,505</b>	<b>1,478,437</b>	<b>114,068</b>	<b>1,592,505</b>
<b>Art in Public Places Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>35,830</b>	<b>19,417</b>	<b>55,247</b>	<b>35,830</b>	<b>19,417</b>	<b>55,247</b>
Revenues	-	-	-	-	-	-
Transfers In	26,500	-	26,500	26,500	-	26,500
Expenditures	26,500	-	26,500	26,500	-	26,500
Transfers Out	-	-	-	-	-	-
<b>ENDING FUND BALANCE</b>	<b>35,830</b>	<b>19,417</b>	<b>55,247</b>	<b>35,830</b>	<b>19,417</b>	<b>55,247</b>

# Mid-Biennium Review & Adjustment

## Other Operating Funds

Other Operating Funds	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
<b>State Drug Enforcement Forfeiture Fund</b>						
<b>BEGINNING FUND BALANCE</b>	-	-	-	-	269,750	269,750
Revenues	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Expenditures	-	-	-	-	121,000	121,000
Transfers Out	-	-	-	-	-	-
<b>ENDING FUND BALANCE</b>	-	-	-	-	148,750	148,750
<b>Federal Drug Enforcement Forfeiture Fund</b>						
<b>BEGINNING FUND BALANCE</b>	-	-	-	-	301,160	301,160
Revenues	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>ENDING FUND BALANCE</b>	-	-	-	-	301,160	301,160

# Mid-Biennium Review & Adjustment

## Other Operating Funds

Other Operating Funds	2019 Budget			2020 Budget		
	Current Revised	Changes	Current Mid-Bi	Current Revised	Changes	Current Mid-Bi
<b>Debt Service Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>53,075</b>	<b>17,398</b>	<b>70,473</b>	<b>39,790</b>	<b>17,398</b>	<b>57,188</b>
Revenues	358,000	-	358,000	358,000	-	358,000
Transfers In	2,237,000	-	2,237,000	2,237,000	-	2,237,000
Expenditures	2,608,285	-	2,608,285	2,590,640	-	2,590,640
Transfers Out	-	-	-	-	-	-
<b>ENDING FUND BALANCE</b>	<b>39,790</b>	<b>17,398</b>	<b>57,188</b>	<b>44,150</b>	<b>17,398</b>	<b>61,548</b>
<b>Transportation Benefit District Fund</b>						
<b>BEGINNING FUND BALANCE</b>	<b>99,660</b>	<b>23,121</b>	<b>122,781</b>	<b>92,160</b>	<b>23,121</b>	<b>115,281</b>
Revenues	792,500	-	792,500	792,500	-	792,500
Transfers In	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-
Transfers Out	800,000	-	800,000	800,000	-	800,000
<b>ENDING FUND BALANCE</b>	<b>92,160</b>	<b>23,121</b>	<b>115,281</b>	<b>84,660</b>	<b>23,121</b>	<b>107,781</b>

# Potential Impact of Initiative 976

If approved by voters in November, Initiative 976 will eliminate the City's ability to levy vehicle fees to fund transportation improvements. These fees are collected in the Transportation Benefit District Fund and transferred to the Debt Service Fund and Transportation CIP Fund equally. The City budgeted \$785,000 in vehicle fee revenue in 2019 and \$785,000 in 2020.

The fees transferred to the Debt Service Fund are used to finance debt service on the City's 2010 Limited Tax General Obligation (LTGO) Bonds for a major street overlay project. Currently, \$400,000 is budgeted for this purpose in 2019 and \$400,000 in 2020.

The fees transferred to the Transportation CIP Fund are used to finance 47% of the City's Pavement Management Program to maintain City streets. Currently, \$400,000 of TBD funding is budgeted for this purpose in 2019 and \$400,000 in 2020.

# 2020 Financial Policies

## Proposed Changes

- Two new Drug Enforcement Forfeiture Funds (State and Federal)
- Recognition of the Transportation Benefit District Fund

# Questions?

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# 20192020 Financial Policies

## City of Burien

The City's Financial Policies are intended to serve as a Council-approved set of values and expectations for Council Members, City staff, citizens, and other interested parties who may do business with the City. The use of the term "City" refers to all City officials and staff who are responsible for the activities to carry out these policies. The policies describe expectations for financial planning, budgeting, accounting, reporting, and other management practices. They have been prepared to assure prudent financial management and responsible stewardship of the City's financial and physical resources.

### A. City Funds

The City shall utilize "governmental fund accounting" as the organizational structure for its financial activities. The following funds have been established for budgeting, accounting, and reporting.

#### OPERATING FUNDS

1. The *General Fund* is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.
2. The *Street Fund* is required by state law to account for dedicated state-shared gas tax revenue. The City's parking and solid waste utility tax collections and solid waste franchise fees are also deposited into this fund. Monies in the Street Fund are used for street maintenance and transportation capital projects.
3. The *Surface Water Management Fund* accounts for the maintenance and capital improvements to the City's storm and surface water drainage system. Revenues come from fees collected from residential and commercial property owners.
4. The *State Drug Enforcement Forfeiture Fund* accounts for State seizure funds received by the City. The use of these funds is restricted to purchases that will enhance the ability of the City's police to investigate drug related crimes and incidents.
5. The *Federal Drug Enforcement Forfeiture Fund* accounts for Federal seizure funds received by the City. The use of these funds is restricted to purchases that will enhance the ability of the City's police to investigate drug related crimes and incidents.
6. The *Transportation Benefit District Fund* accounts for revenue collected from the vehicle license fee. The use of the fee is restricted for the construction, maintenance, or operational costs of transportation improvements. This may include debt service payments related to the funding of transportation improvements.

#### RESERVE FUNDS

1. The *Equipment Replacement Reserve Fund* provides monies for the orderly replacement of City assets with a value over \$5,000 and with an estimated service life of three or more years. All monies come from the City's Operating Funds (General, Street, and Surface Water Management).
2. The *Public Works Reserve Fund* is utilized for debt service or to accumulate monies for future Capital Improvement Program projects. Funding sources include the Real Estate Excise Tax (REET), Park Mitigation Fees, and transfers from the General Fund.
3. The *Capital Project Reserve* was established to accumulate monies from the City's annual property tax levy

for future Capital Improvement Program projects.

4. The *Art in Public Places Fund* was established to provide funds for acquiring and maintaining public art. It is funded by an annual transfer from the General Fund of an amount equal to \$0.50 per capita based on the most recent population estimate.
5. The *Local Improvement District (LID) Guaranty Fund* is required by State law to maintain a balance of not less than 10% of the City's outstanding LID assessments. All monies in the fund come from the Street Fund; any monies in excess of the needs of the LID Guaranty Fund are returned to the Street Fund.

#### DEBT SERVICE FUND

1. The City maintains a single *Debt Service Fund* to account for the resources necessary to pay principal and interest when due on the City's outstanding General Obligation Bonds, Local Improvement District Bonds, and Public Works Trust Fund Loans.

#### CAPITAL IMPROVEMENT PROGRAM FUNDS

Three Capital Improvement Program Funds have been established to account for the revenues and expenditures associated with the following Capital Improvement Program project areas:

1. Parks and General Government;
2. Transportation; and
3. Surface Water Management.

### **B. Resource Planning**

1. To assure stability and continuity in City services, the City will prepare and update on a biennial basis a six-year financial forecast for all City Operating and Reserve Funds. This biennial planning process will enable citizens, staff, advisory committees, and the City Council to discuss current and future programs, service levels, and capital facility needs.
2. The relationship between the Operating and Capital Budgets will be incorporated into the financial forecasts and budgets. Maintenance and operating costs associated with new Capital Improvement Program projects shall be disclosed in the Capital Budget when projects are being considered and included in the Operating Budget when the projects are complete.
3. The City Manager shall develop on a biennial basis a financial planning calendar that will provide for the timely update of the six-year financial forecasts for all City Operating and Reserve Funds along with the biennial process to develop, review, and adopt the City's Operating and Capital Budgets.
4. The City's Operating and Capital Budgets will implement City Council adopted goals and policies, long-range plans, and service choices for the community. To the extent financially feasible, the City Manager shall develop a proposed budget that implements the adopted Strategic Plan. The City Council shall use the adopted Strategic Plan and other applicable policies and plans to inform and guide their review and adoption of the biennial budget.
5. The City will use "prudent revenue and expenditure assumptions" in the development of the six-year financial forecasts, and Operating and Capital Budgets. Revenue and expenditure estimates shall be conservative to generally produce variances from budget estimates in the 3% to 5% range for overall

fund revenues and 3% to 5% range for overall fund expenditures.

6. One-time resources shall be identified and shall be used to support one-time expenditures. Ongoing expenditure programs shall only be supported by ongoing resources.
7. Where estimated expenditures and fund balances exceed estimated resources for any financial forecast, potential options to bring the six-year financial forecasts into balance shall be included as an integral part of the budget process.

### **C. Fund Balance and Reserve Levels**

Budgeted fund balances shall be established at a minimum of 20% of budgeted recurring revenues for the General Fund and 5% of budgeted recurring revenues for the Street and Surface Water Management Funds.

The City hereby establishes and will maintain reservations of Fund Balance, as defined in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This policy shall only apply to the City's governmental funds. Fund Balance shall be composed of the following five categories:

1. Non-Spendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the principal of an endowment fund).
2. Restricted Fund Balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Restrictions may only be changed or lifted with the consent of the resource providers.
3. Committed Fund Balance – Amounts that can be used only for the specific purposes determined by formal action of the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.
4. Assigned Fund Balance – Amounts the City intends to use for a specific purpose.
5. Unassigned Fund Balance – The residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

The Finance Director shall have the authority to assign amounts of fund balance to a specific purpose; however, before expenditure, amounts must be appropriated by the City Council.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts shall be reduced first, followed by assigned amounts and then unassigned amounts.

The General Fund includes a \$7.5 million dollar Capital Partnership Reserve. This reserve is in the General Fund and will be leveraged to partner with other agencies on shared capital facilities. An additional \$1 million is set aside for a Capital Equipment Reserve to purchase furnishings and/or equipment for new City facilities. The funds are available for appropriation if the first criteria is met and one or more of the following criteria is also met.

1. Partnership with a public or private entity.
2. The project or the need is identified in an adopted plan or the adopted budget.
3. The estimated cost of the project is a minimum of \$1 million and Burien's share is at least \$500,000.
4. The project can be accomplished better and/or faster with a partnership.

#### **D. Resource Allocation**

The City Council has established the following allocations for designated revenues:

1. Not less than \$6.50 per capita will be for Human Services programs. The per capita amount shall increase each biennium by the same cost of living adjustment according to section F.2. of the Financial Policies.
2. A minimum of 40% and a maximum of 50% of Business and Occupation Tax Revenues are dedicated to expanded Economic Development programs and activities.

#### **E. Accounting, Budget, and Financial Practice Policies**

1. The City will maintain an accounting and financial reporting system that fully meets professional standards, state accounting requirements, and standards used by debt rating agencies.
2. Financial procedures shall be developed to assure appropriate controls are in place to protect City assets and to provide for the development of timely financial reporting.
3. Procurement policies and procedures shall be developed and periodically updated as needed to meet legal requirements and assure effective and competitive purchasing practices.
4. The City will strive to maintain at least an "A1" bond rating from Moody's Investor Services.
5. The Finance Director shall provide to the City Council not less than quarterly a financial status report for all City Funds. This report will include comparisons of actual revenue and expenditure performance to the respective budget estimates. Where revenue collections are, or are anticipated to be significantly less than budget estimates, and/or, where expenditures are, or are anticipated to be significantly greater than budget estimates, the Finance Director shall include recommendations for possible adjustments or actions.
6. In accordance with state law, the City Manager is authorized to transfer budgeted amounts within any fund; however, any revisions that alter the total expenditure authority (appropriation) of a fund, that increase the total number of authorized employee positions, or that increase any salary range within the pay classification system in the budget by more than 5% must be approved by the City Council.
7. City checks for the payment of claims may be issued prior to the City Council's review and approval of such claims, provided that the City Manager and/or Finance Director have put in place the provisions of RCW 42.24.180 which include the following:
  - a. The Auditing Officer and individuals designated to sign checks shall have in place an official bond for the faithful discharge of his or her duties in an amount equal to or exceeding \$50,000;
  - b. The City Manager shall adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal controls;

- c. The City Council shall provide for its review of the documentation supporting claims paid and for City Council approval of all checks issued for payment of claims at a Council meeting within one month of issuance of the checks; and
- d. The City Council shall require that if, upon its review, it disapproves some claims, the Finance Director and individuals designated to sign checks shall jointly establish the disapproved claims as receivables of the City and pursue collection diligently until the amounts disapproved are collected or until the City Council is satisfied and approves the claims.

## **F. Revenue Policies**

1. To minimize the impact of cyclical economic downturns on General Fund revenues and services, the City will attempt to diversify its economic base.
2. Where the City has authority to establish and change fees and charges, all such fees and charges shall be adjusted annually for inflation, based on the change in the Seattle-Tacoma-Bellevue Consumer Price Index - All Urban Consumers for all items for the twelve-month period ending June 30, or other applicable index or measure.
3. The City will establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will determine the percentage of full service costs to be recovered through fees. The level of cost recovery may be adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate. Staff shall submit periodic financial reports to the City Council on the progress in meeting the policies.
4. Grant revenue will be included in the City's financial forecasts and budgets when it is probable the City will receive the grant award.
5. As a general guideline, property taxes levied for general government operations will be at least 1% more than levied in the prior year plus the amount received as a result of new construction. Effective January 1, 2020, 100% of the Property Tax Levy shall be allocated to the General Fund.

## **G. Capital Improvement Program Policies**

1. The City will plan for capital improvements over a multi-year period. The Capital Improvement Program will directly relate to the City's long-range plans and policies. When capital improvements are being planned, maintenance & operating costs will be estimated and identified within the City's financial forecasts. When the capital projects are complete, monies will be included in the City's Operating Budget to provide for maintenance and operating costs.
  2. To plan for replacement of the City's physical assets, the City shall maintain a current inventory of all of the City assets, their condition, and estimated replacement costs. The City shall maintain an Equipment Replacement Reserve Fund consisting of cash reserves set aside each year to provide for the timely and orderly replacement of assets. The Equipment Replacement Reserve Fund shall be included in the update of the City's financial forecasts.
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3. A capital project is defined as a project of a nonrecurring nature with a cost of \$25,000 or more and estimated service life of at least 10 years including major renovations of existing facilities. Routine maintenance of existing facilities, however, should not be included in capital requests.
4. The Adopted Capital Facilities Element of the Burien Comprehensive Plan provides guidance regarding the development of the City's Capital Improvement Program.
5. For each Fund included in the Capital Improvement Program (Parks and General Government, Transportation, and Surface Water Management), funding sources will be identified so that it will be clear what local funds, grant funds, and other revenue sources are supporting each program.
6. The City will use Community Development Block Grant capital funds for eligible capital projects that are included in the City's adopted Capital Improvement Program. The funds will only be spent on eligible projects that benefit low and moderate income individuals as defined in the Community Development Block Grant regulations.
7. To help improve competitiveness for capital project construction grants and loans, the City should identify and budget resources for project design and matching funds. Potential sources may include water and sewer district franchise fees or utility taxes, and new or updated impact fees for streets and parks to be imposed on new development.

#### **H. Debt Policies**

1. When evaluating the use of councilmanic debt and the associated debt service obligations, a financial feasibility analysis will be performed including the City's ability to make debt service payments, taking into account revenue fluctuations associated with periodic economic cycles.
2. Voted and councilmanic debt will be used prudently in a manner to avoid any adverse impact on the City's credit rating.
3. The City will establish appropriate procedures to assure compliance with its bond covenants and all other applicable federal, state, and local laws, policies, or regulations.
4. Debt may be used on a limited basis for specific short-term cash flow needs. Debt will not be used to fund long-term revenue shortages. For major capital projects with long-term useful lives (normally 20 years or more) and where costs exceed short-term cash flows, debt may be used provided there is sufficient discretionary revenue within the financial forecasts plan to service the debt without disrupting the City's existing service delivery programs.

#### **I. Investment Policies**

1. The City will follow state law and the following criteria in priority order when investing City monies:
  - a. Preserve capital through prudent financial investments;
  - b. Maintain sufficient liquidity so that monies are available when needed;

- c. Achieve the best available rate of return;
  - d. Manage the investment yields of bond proceeds to avoid the potential for payment of rebates; and
  - e. Ensure that investment instruments acquired with bond proceeds are purchased at fair market value.
2. The City will provide the appropriate accounting and reporting for any private donations or monies held in trust by the City.

**J. Financial Management and Organizational Review Policies**

1. The City Manager will periodically review the City’s organizational structure to assure that it is responsive to current conditions; and to eliminate service duplication within the organization and with other local government jurisdictions. Periodic performance audits may be used to assess organizational costs and effectiveness. Periodic budget reviews shall be made to examine departmental and/or program line-item costs. The City Manager has the authority to revise the organizational structure to improve performance and address opportunities, within the adopted budget.
2. The City Manager will periodically evaluate the City’s administrative and direct service delivery systems to determine whether a service should be provided by the City, by agreement with a qualified and competitively priced private or public contractor, or eliminated due to changes in community needs and expectations.
3. The City Council will adopt, through the biennial budget, service levels, a work program, and performance standards that reflect City revenues, community expectations, and legal requirements. The City is committed to examining how it provides services so that service levels and performance standards are met or exceeded at the least cost to the public.
4. The City’s compensation structure (salaries and benefits) will be reviewed at least every three years. The City’s compensation structure shall be competitive with that of comparable public sector employers in the relevant recruiting or market area; however, no adjustments shall be made if it is determined the City does not have the ability to pay. The criteria for reviewing employee salaries and benefits will also include internal comparability for similar jobs. If relevant private sector comparisons are available, they will be considered. Annual cost of living adjustments will be based on 100% of the change in the Seattle-Tacoma-Bellevue Urban Wage Earners and Clerical Workers Consumer Price Index for all items the twelve-month period ending June 30, or other applicable index or measure, rounded to the nearest one-tenth percent.
5. The City will, within available resources, maintain the productivity of staff through a supportive working environment, which includes appropriate equipment, supplies, materials, and professional staff development.
6. The City will evaluate its use of intergovernmental service contracts to prevent duplication of services and to assure an effective and efficient service delivery system to the community.

7. The City adopts biennial budgets at the start of every odd-numbered year. The biennial budget provides a two-year expenditure appropriation with side-by-side one-year budget displays. To avoid overspending the two-year appropriation too quickly, departments are held to single-year budgets and are generally not able to commit funds from the second year of the biennium before it begins. The City Manager may approve the carryover of unspent funds from the first year to the second year if it is determined that a program and/or project was not complete at the end of the year and funds are available.

#### **K. Contract Approval Authority**

The approval authority for execution of City contracts is as follows:

1. The City Manager will have authority to sign contracts up to \$25,000.
2. The City Manager will have authority to sign contracts over \$25,000 for equipment, goods, and services that are included in the Adopted Budget. The City Manager shall provide a report of such contracts signed as part of the quarterly financial report.
3. Contracts that exceed Adopted Budget spending authority must be placed on the Council agenda for discussion and approval.
4. Contracts over \$25,000 for initiatives not included in the Adopted Budget must be placed on the Council agenda for discussion and approval.
5. All capital projects in which there is a material change in scope must be placed on the Council agenda for discussion and approval

#### **L. Debt Collection**

1. The Finance Director shall establish and maintain policies and procedures relating to the collection of debt.
2. The Finance Director shall establish policies and procedures governing the assignment or other referral of delinquent accounts or debt to a collection agency that has entered into a contract with the City for that purpose.
3. In certain cases, amounts which are due any City department, from an individual or a corporate debtor may remain unpaid for long periods of time. After the Finance Director and the City Manager have determined that there is no cost effective means of collecting the debt, the debt may be cancelled, written off, or reduced.
4. Amounts due to the City which are \$1,000 or less, after reasonable efforts for collection and or settlement have been made, may be written off upon approval of the City Attorney and the Finance Director. Any debts that are approved for discharge shall be reported as part of the quarterly financial reports.
5. Amounts due to the City between \$1,001 and \$5,000, after reasonable efforts for collection and or settlement have been made, may be written off by the City Manager upon the recommendation of the City Attorney and the Finance Director. Any debts that are approved for discharge shall be reported as part of the quarterly financial reports.

6. Amounts due to the City greater than \$5,000, after reasonable efforts for collection and or settlement have been made, will be presented to the City Council for approval to be written off.