



2019 - 2020 MAYOR'S PROPOSED BUDGET

City of Kent, Washington



BUDGET FRAMEWORK

The Budget Framework section describes the processes, policies and fund structure that govern the budgeting process.

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BUDGET PROCESS

OVERVIEW

Budgets serve as control mechanisms in the operations of governmental units. Legal budgetary (expenditure) control in the City of Kent is maintained at the fund level. Administration can amend budgets, with no overall dollar increase between departments, within a fund. Supplemental appropriations that amend total expenditures, or in the case of Proprietary Funds amend working capital, require a City Council ordinance. All operating budgets lapse at year end.

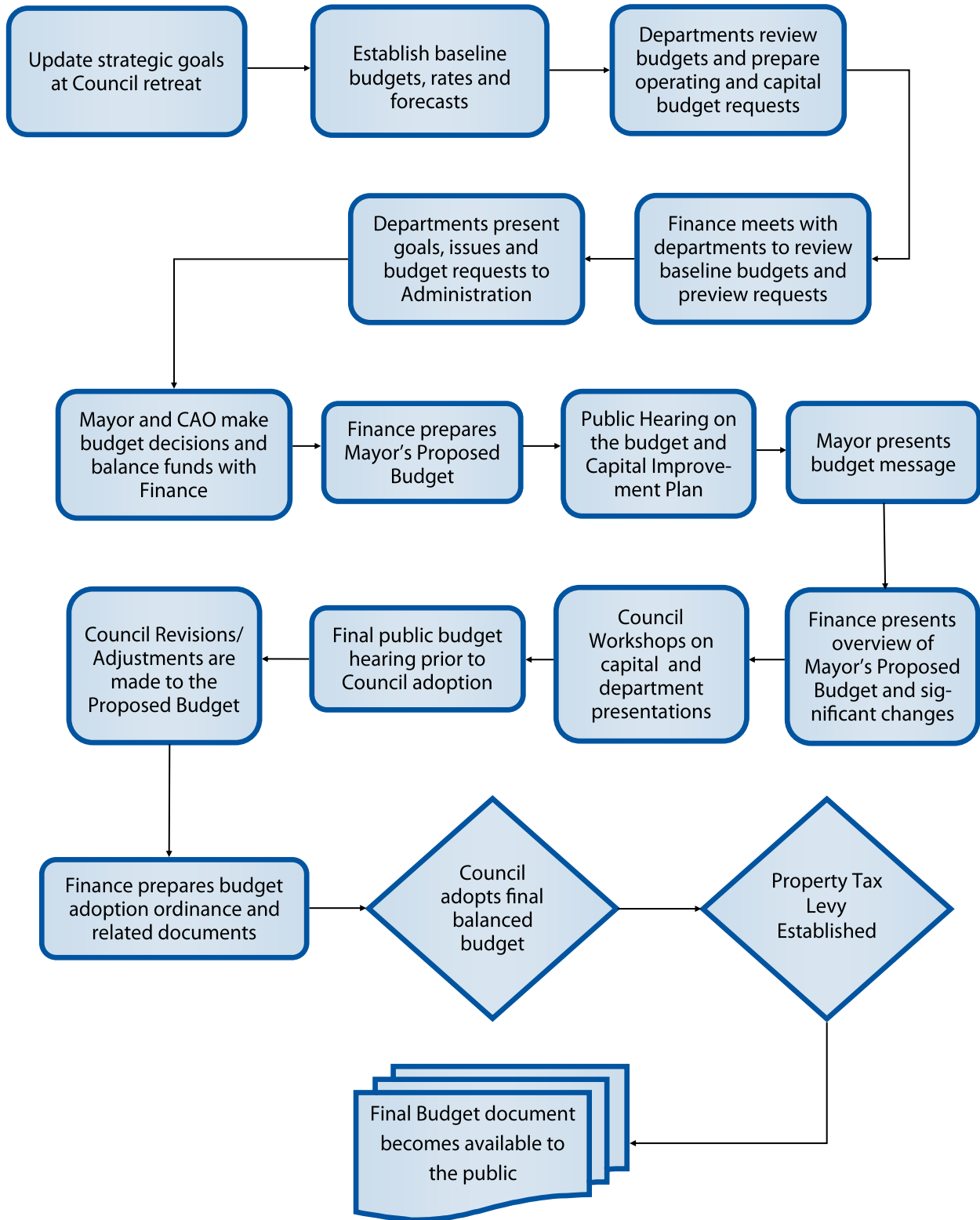
The General and Special Revenue funds control expenditures with a legal annual budget at the fund level. Debt Service funds operate under the control of the bond indentures which established them. Capital Projects funds operate under the control of total project authorization, rather than the annual budget. Proprietary funds control expenditures with a flexible budget whereby the expenditure increases must be offset by increased resources. Though budgetary control is at the fund level, budget and actual information is maintained by project, organization, program and object. Both budget and actual information is presented on a GAAP (Generally Accepted Accounting Principles) basis of accounting, when presented by fund.

The City must adopt its budget by the end of December of the preceding fiscal year. This usually follows several months of analysis by staff and City Council. The first step involves the establishment of the baseline budget required to carry existing programs into the next year. The second step involves the development of issues impacting the next year and beyond and their prioritization by City Council. The emphasis is placed on the General and Special Revenue funds since the operation of other funds are tied to ordinances, contractual agreements or separately established rate structures. Once the baseline operations have been reviewed and adjusted based on administrative policy, program expansion or reduction is included to the level of projected available resources after the establishment of sufficient fund balances.

After the Mayor's Proposed Budget is presented, the City Council spends approximately eight weeks reviewing it. Public meetings are held to gather input from residents and businesses. When the budget review and final adjustment period is complete, a balanced budget as required by state law is adopted by ordinance. After adoption, periodic budget adjustments that affect total fund expenditures are made as approved by City Council and are formalized by ordinance on a quarterly basis.

BUDGET PROCESS

BUDGET FLOW CHART



BUDGET PROCESS

BUDGET TIMELINE

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Council Retreat - strategic goals update		→										
Finance meets with internal service groups to establish baseline budgets and rates	→	→										
Finance prepares budget forecasts			→	→								
Semi-monthly Finance informational meetings with Mayor and CAO			→	→	→							
Budget Kickoff with Departments				→								
Departments review and adjust baseline budgets, prepare operating requests, and capital requests w/6-year capital plan				→	→	→						
Finance meets w/departments to discuss baseline issues/ challenges and overviews operating budget and capital requests					→							
Departments present goals, issues and budget requests to Administration						→						
Finance meets with Mayor and CAO to review requests, make decisions and balance funds						→	→	→				
Finance prepares the Mayor's Proposed Budget								→	→			
Public Hearing on 2019-2020 Biennial Budget and 2019-2024 Capital Improvement Plan (CIP)								→	→			
Mayor presents budget message; Finance presents overview of Mayor's proposed budget and significant changes								→	→			
Council Workshop Capital discussion										→		
Council Workshop - department presentations										→	→	
Public Hearing on 2019 Property Tax Levy, 2019-2020 Biennial Budget and 2019-2024 CIP										→	→	
Council Workshop - department presentations and next steps discussion										→	→	
Council Workshop - questions and discussion											→	→
Council Workshop - final decisions											→	→
Finance prepares budget adoption and related documents											→	→
Operations Committee - budget recommendation												→
Council Meeting - 2019 Property Tax Levy and 2019-2020 Biennial Budget are adopted by ordinance												→

BUDGET CALENDAR

BUDGET CALENDAR

CITY-WIDE CAPITAL INVESTMENT STRATEGY	Mar-July
Develop city-wide capital project list and funding strategy	
MEETINGS WITH MAYOR/CAO	Apr-July
Finance informational meetings with Mayor and CAO	
BUDGET KICK OFF MEETING	May 17
Mayor, CAO, Finance Director provides budget instructions to departments	
DEPARTMENTS PREPARE BUDGET	May 17-Jun 11
Review and adjust baseline budgets	
Prepare operating budget requests and reductions	
DEPARTMENT BASELINE MEETINGS W/FINANCE	Jun 11-22
Discuss baseline issues and challenges	
Review operating budget requests and reductions	
DEPARTMENT PRESENTATIONS TO ADMINISTRATION	Jul 11-25
Department presents issues and operating budget requests	
BUDGET and CAPITAL BALANCING/DECISIONS	Jul 25–Aug 30
Finance meetings with Mayor and CAO to review budget requests, capital investment strategy, make decisions and balance funds	
COUNCIL WORKSHOP	Aug 21
Budget preparation status	
FINAL BALANCING/DECISIONS	Aug 30
FINANCE PREPARES MAYOR'S PROPOSED BUDGET	Aug 30-Sep 24
MLT NOTIFICATION	Sep 4
Mayor notifies department directors of approved requests	
APPEAL SESSIONS (if requested)	Sep 4-6
Department opportunity to meet with Mayor and CAO to appeal decision(s)	
COUNCIL MEETING	Sep 18
1st Public Hearing—2019-20 Biennial Budget & 2019-2024 CIP	

BUDGET CALENDAR

COUNCIL MEETING (Special Meeting)	Sep 25
Mayor’s Budget Message	
COUNCIL WORKSHOP (Special Meeting)	Sep 25
Overview of Mayor’s Proposed Budget	
COUNCIL WORKSHOP	Oct 6
General Fund baseline discussion; significant changes	
Other funds baseline discussion; significant changes	
Department Budget Presentations	
COUNCIL WORKSHOP (Special Meeting—Tentative)	Oct 9
COUNCIL WORKSHOP (Tentative)	Oct 16
COUNCIL MEETING	Oct 16
Public Hearing – 2019 Property Tax Levy	
2 nd Public Hearing – 2019-20 Biennial Budget and 2019-2024 CIP	
PREPARE BUDGET ADOPTION AND RELATED DOCUMENTS	Oct 17-31
OPERATIONS COMMITTEE MEETING	Nov 6
COUNCIL MEETING	Nov 20
Adoption of the 2019 Property Tax Levy	
Adoption of the 2019-20 Biennial Budget	
Amend Comp Plan for 2019-2024 Capital Improvement Plan	

FINANCIAL POLICIES

The budget process is part of an overall policy framework that guides the services and functions of the City. The budget serves a key role in that policy framework by allocating financial resources to programs which implement the City's overall goals and policies.

The City's core policy document is the Comprehensive Plan. This plan sets the basic vision for the development of the City and establishes policies and programs intended to achieve that vision. The plan is further articulated by a series of planning elements, including capital improvement (such as street and utility plans), policy elements (such as housing plans and economic development programs) and regulatory measures. Per state law, the Comprehensive Plan is reviewed and amended as those policies and programs change.

In addition, the City has adopted formal financial policies. These policies are designed to ensure fiscal stability and to provide guidance for the development and administration of the annual operating and capital budgets. The following pages contain policy frameworks in these areas:

- ◆ Revenue
- ◆ Expenditure
- ◆ Fund Balance Reserves
- ◆ Debt Management
- ◆ Investment

REVENUE POLICIES

User Charges Related to Costs—The City will review fees and charges on a periodic basis and will modify charges to adequately keep pace with increasing costs of providing services.

User Charges and Taxes Related to Market Rates—The City will consider its user charges and its tax rates in connection with those of neighboring communities and similar service providers, so that it will provide reasonable rates to maintain its advantage in the market place in attracting businesses and residences to the City of Kent.

Committed Special Revenue Funds—The City will maintain its practice of designating its street and capital improvement revenue sources including a percentage of its sales tax collections for the funding of its capital improvement program.

Reimbursements on a timely basis—Many grants occur on a cost reimbursement basis. To maximize the City's available investable funds, reimbursement should be pursued on a timely basis.

Aggressive Collection Effort—The City will follow an aggressive policy of collecting all monies due the City to the extent that the collection efforts remain cost effective.

FINANCIAL POLICIES

EXPENDITURE POLICIES

Structurally Balanced Budget—The City should adopt a budget in which ongoing revenues equal or exceed ongoing expenditures. One time revenues should not be used to pay for recurring expenditures.

Conservative Expenditure Budgeting—The City will maintain its conservative expenditure budgeting with respect to budgeting existing full time positions for a full year.

Program Reviews—The Mayor shall perform a periodic review of staff and programs of the City for both efficiency and effectiveness. Alternate methods of delivery will be evaluated for providing services. Programs that are determined to be inefficient, ineffective, or inconsistent with the City Council’s strategic goals shall be reduced in scope or eliminated.

Maintenance and Operational Planning—Maintenance of current assets shall take priority over new capital projects whenever possible. The City Council shall ensure that there are stable sources of revenue to fund ongoing maintenance of capital assets. Before any new capital asset is approved, staff shall present an estimate of the life cycle and maintenance cost. Such costs shall be included in the budgets for the following years. The City Council shall not approve of new capital projects unless there is funding for the ongoing maintenance of the asset. The City shall maintain an inventory of all City assets and costs of maintenance of those assets.

Self-Insurance Program—The City will maintain an actuarially sound self-insurance program for unemployment, worker's compensation, liability insurance and health insurance. All of the insurance programs are accounted for as separate cost centers within one parent insurance fund.

Self-Supporting Proprietary Funds—The City's water, sewer, drainage and golf course enterprise funds will be self-supporting along with its internal service funds. The cost of providing services is expected to be fully funded from charges for the service. If the funds produce a loss, rates will be adjusted to achieve, at minimum, a break-even status. If debt has been issued which requires a certain level of return, rates and charges will be adjusted to achieve those returns.

Equipment Replacement—The City will maintain a Fleet Services Fund adequately funded to replace a fleet of vehicles and other heavy equipment at their scheduled replacement time. Technology capital replacement shall be funded through departmental charges and other revenues sufficient to replace both hardware and software at the end of their useful life.

Capital Improvement Program—The City will update its capital facilities plan on an annual basis as required by the Growth Management Act. A preliminary plan will be established early in the budgeting process to serve as a guideline during the year, with a final amendment adopted with the adoption of the operating budgets to reflect the necessary changes in the City's Comprehensive Plan.

FINANCIAL POLICIES

FUND BALANCE RESERVES POLICY

Key concepts of the Fund Balance Reserves Policy are outlined below. This policy was adopted by Council on December 12, 2017.

The objective of this policy is to provide guidance for the establishment and continued maintenance of Fund Balance Reserves, including reserve amount, how the reserves will be funded and the conditions under which reserves may be used.

Targeted Fund Balances—Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies, unfunded mandates and/or economic downturns. They may also be used to meet seasonal cash flow shortfalls as needed. Targeted fund balances for key funds are as follows:

- ◆ General Fund: 18% of current-year budgeted expenses
- ◆ Street Fund: 16% of current-year budgeted expenses
- ◆ Capital Resources Fund: \$1,500,000
- ◆ Criminal Justice Fund: 16% of current-year budgeted expenses
- ◆ Utility Funds: 20% of current-year budgeted expenses
- ◆ Golf Fund: \$400,000 or 16% of current-year budgeted expenses, whichever is higher
- ◆ Workers Comp Fund: 70% confidence level as provided in the annual actuarial study for the fund
- ◆ Health Care/Benefits Fund: Twice the IBNR (Incurred But Not Reported) estimate per annual actuarial study for the fund or \$2,000,000, whichever is higher
- ◆ Liability Insurance Fund: 70% confidence level as provided in the annual actuarial study for the fund

General Fund—The City will strive to maintain a General Fund “Operating Reserve” with an upper goal of 18% of the adopted current-year budgeted General Fund expenditures, less any one-time items.

- ◆ The intent is to limit the use of unassigned General Fund balances to addressing unanticipated, non-recurring needs or known and planned future obligations.
- ◆ The Operating Reserve is intended to be a reserve for unexpected events, such as unfunded mandates, the failure to receive expected revenues, the continuance of critical services due to unanticipated events or to offset the unexpected loss of a significant funding source for the remainder of the fiscal year. Any use of the Operating Reserve that reduces the fund balance below the minimum required must include a repayment plan.
- ◆ Fund balances shall not normally be applied to recurring annual operating expenditures. Unassigned balances may, however, be used to allow time for the City to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

FINANCIAL POLICIES

- ◆ Funds in excess of the reserves described may be considered to supplement “pay as you go” capital outlay and other one-time expenditures. These funds may not be used to establish or support costs that are recurring in nature.
- ◆ Unless otherwise noted, all parameters of the General Fund balance noted above are also applicable to all other fund balances.

Funding Reserves—Funding of reserve targets will generally come from excess revenues over expenses or one-time revenues.

Excess Reserves—Reserves for specific funds are restricted for the activities of that fund, with the exception of the General Fund, which can be used for any good governmental purpose. In the event fund reserves exceed the minimum balance requirements at the end of each fiscal year, any excess reserves may be used in the following ways:

- ◆ Fund accrued liabilities. Priority will be given to those items that relieve budget or financial operating pressure in future periods.
- ◆ Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the City’s Capital Improvement Program.
- ◆ One-time expenses that do not increase recurring operating costs and that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs.
- ◆ Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the City’s Finance Department.

DEBT POLICY

Key concepts of the Debt Policy are outlined below. This policy was adopted by Council on December 12, 2017 and can be viewed in its entirety in the City’s Debt Manual, which is available online at www.kentwa.gov.

The objective of this policy is to provide general guidance for the issuance and management of all City debt and establish criteria to protect the City’s financial integrity while providing a mechanism to fund the City’s capital needs.

Debt Issuance

- ◆ Non-voted General Obligation Debt (also called councilmanic debt) shall not exceed 1.5 percent of assessed value.
- ◆ All City projects proposed to be financed through debt must have a full analysis of a) alternative methods of financing the projects, b) future operating and maintenance costs associated with the projects, including debt service expense, c) projected cash inflows which can reasonably be applied to reduce the amount being financed, and d) projected cash outflows for construction/equipment in order to ensure arbitrage compliance.

FINANCIAL POLICIES

- ◆ The City will, unless otherwise justified, use tax-exempt bond proceeds within the established time frame pursuant to the bond ordinance, contract or other document to avoid arbitrage.
- ◆ The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the Internal Revenue Service (IRC148) regulation. Any rebate earning to the federal government will be remitted in a timely manner to preserve the tax-exempt status of the outstanding debt obligation.
- ◆ The City will repay principal plus interest in accordance with the payment terms of the bond or contract and comply with all bond or contract covenants.
- ◆ Debt cannot be issued for a longer maturity than a conservatively estimated useful life of the asset to be financed.
- ◆ The City will maintain good communications with bond rating agencies and investors about its fiscal condition and will provide full disclosure on financial reports and in disclosure documents.

Short-Term Debt

- ◆ The City may use short-term debt, defined as a period not to exceed three years, to fund cash flow needs. The City will not issue short-term debt for current operations.
- ◆ The City may issue interfund loans rather than issuing outside debt to meet short-term cash flow needs. The loaning fund must have excess funds available and the use of these funds will not impact the loaning fund current operations or constitute a permanent diversion of funds. All interfund borrowing will bear interest based upon at least the prevailing LGIP (Local Government Investment Pool) rate.
- ◆ The City's Finance Director has the authority to approve short-term interfund loans for a period not to exceed three calendar months. The Mayor has the authority to approve loans for a period not to exceed 12 calendar months.

Long-term Debt

- ◆ The City will issue long-term debt, defined as a period of time greater than three years, for capital projects, which cannot reasonably be financed on a pay-as-you-go funding strategy from anticipated cash flows.
- ◆ Acceptable uses of bond proceeds are one-time capital projects that can be capitalized and depreciated in accordance with GAAP. Refunding debt is also an acceptable use.
- ◆ The City may issue interfund loans rather than issuing outside debt instruments as a means of financing capital improvements. The loaning fund must have excess funds available and the use of these funds will not impact the loaning fund current operations or constitute a permanent diversion of funds. All interfund borrowing will bear interest based upon at least the prevailing LGIP (Local Government Investment Pool) rate.
- ◆ The City will not issue long-term debt for current operational needs.

FINANCIAL POLICIES

Refunding Debt—Refunding bonds are an acceptable use of bond proceeds provided that a) the net present value (NPV) of the savings is at least 3% and b) the final maturity date is not extended.

Debt Issuance Process

- ◆ The Finance Director will determine the method of sale best suited for each issue of debt.
- ◆ All securities will be issued in compliance with state and federal legal and regulatory requirements.
- ◆ For each issue, the City will evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancements must be competitively procured.
- ◆ Council approval is required prior to the issuance of debt, except where Council authority has been delegated in KCC 3.40.040.

INVESTMENT POLICY

Key concepts of the Investment Policy are outlined below. This policy was adopted by Council on March 21, 2017 and can be viewed in its entirety in Chapter 3.02 of the Kent City Code (KCC).

The City will invest public funds in a manner that safeguards and protects the principal of the funds invested, provides liquidity in meeting daily cash flow and provides the highest return possible through budgetary and economic cycles.

Regulatory—All investment activity will be in compliance with RCW 35.39 Fiscal – Investment of Funds, RCW 39.59 Public Funds – Authorized Investments, and any other statutes or regulatory requirements which may apply, such as Internal Revenue Codes.

Scope—The City commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Objectives

- ◆ **Safety**—Safety of principal is the foremost objective of the City's investment policy. Investments shall be made in a manner that mitigates credit and interest rate risk and seeks to ensure the preservation of capital in the overall portfolio.
- ◆ **Liquidity**—The City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements. This will be accomplished by either maintaining a portion of the portfolio in investment vehicles offering daily liquidity at face value or structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands.
- ◆ **Return on Investment**—The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, the cash flow characteristics of the portfolio, and earnings relative to the State of Washington LGIP. Return on investment is of lesser importance compared to safety and liquidity.

FINANCIAL POLICIES

Standards of Care and Ethics

- ◆ The “Prudent Person” standard of care will be used by investment officials, which requires that investments be made with judgment and care that a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs.
- ◆ The overall investment program will be designed and managed with a degree of professionalism that is worthy of the public trust. Officers and employees involved in the investment process shall refrain from knowingly engaging in personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial investment decisions.

Delegation of Authority and Responsibilities—The City Council will retain ultimate fiduciary responsibility for the portfolio. The Finance Director (or his/her designee) is the Investment Officer of the City. Investment transactions can only be initiated with the express written consent of the Finance Officer. The City may engage the services of an external investment advisor to assist in the management of the investment portfolio in a manner consistent with the objectives.

Authorized Investments—The City is authorized to invest in various securities, including, LGIP, US Treasury Obligations, GSE-Agency Securities, Repurchase Agreements, Bankers’ Acceptance, Commercial Paper, Certificates of Deposit/Bank Deposits/Savings, Bonds of the State of Washington, General Obligation Bonds of Other States, Corporate Notes, and Supranational Bonds.

Diversification—The City will diversify its investment portfolio by institution, type of investment security and years to maturity shall be employed to avoid over-concentration in any of these areas, which reduces overall portfolio risks while attaining market average rates of return.

Maturities—The City will invest in securities with maturity dates five years from the date of purchase or less. An exception to the five-year maturity maximum is allowed if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds. The maximum weighted average maturity of the total portfolio shall not exceed three years. Liquidity funds will be held in the LGIP, bank deposits, or in short term instruments maturing six months or less. The investment portfolio will have securities that mature between one day and five years.

Collateralization—Collateralization is required on repurchase agreements at a level of 102 percent of market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

Authorized Financial Dealers and Institutions—Banking transactions will be limited to designated banking relationships and will refer to the financial institutions list provided by the Public Deposit Commission of banks authorized to provide investment services. No public deposit shall be made except in a qualified public depository in the State of Washington. A current financial statement is required to be on file for each financial institution and broker/dealer in which the City invests. Electronic links and/or files are acceptable.

Advisory Investment Committee—An investment committee will be established consisting of the mayor (or designee), Finance Director, Public Works Director and a member of the Council Operations Committee who shall be appointed by the mayor to serve a two year term. The committee will meet quarterly and serve in a general review and advisory capacity.

FUND STRUCTURE

As a government entity, the City of Kent operates its budget and accounting system based on a fund structure. Funds are established to segregate specific revenue to ensure their expenditure within applicable legal and contractual provisions. Revenues are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which the spending activities are to be controlled. The City of Kent operates with seven basic fund types, in which there may be one or more individual funds. The fund types, purpose and relationship to other funds are listed below.

FUND/PURPOSE

RELATIONSHIP TO OTHER FUNDS

GOVERNMENTAL FUNDS

General Fund

The General Fund is the principal operating fund of the City. It accounts for the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, sales and use taxes, utility taxes, business and occupation taxes, licenses and permits, state shared revenues, charges for services and other incomes. Primary expenditures are for general City administration, police, economic development and planning services, park maintenance, and cultural and recreational services.

The General Fund "buys" services from the Internal Service Funds: fuel and rental of vehicles from the Fleet Services Fund; supplies, postage, photocopy, printing and graphics, cable TV services, data processing and telephone services from Central Services; facility maintenance and operation services from Facilities; and insurance from the Insurance Fund. The General Fund also transfers funds to the Street Operating Fund to help cover transportation and street maintenance costs and may also fund for selected projects.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenue sources that would otherwise be accounted for in the General Fund, but for which there exists certain legal restrictions as to the use of certain revenues. The revenue is segregated into individual special revenue funds to ensure expenditure for a designated purpose. Principal sources of revenue are: state shared fuel tax, earmarked sales and utility taxes, criminal justice portion of sales and use tax, and community development block grant funds. A portion of these are transferred to other funds for debt retirement, capital acquisition and specific purposes operations.

Taxes, contributions and grants are collected in the Street Fund, LEOFF1 Retirees Fund, Lodging Tax Fund, Youth Teen Programs Fund, Capital Resources Fund, Criminal Justice Fund, Community Development Block Grant Fund, Other Operating Projects Fund, and the ShoWare Operating Fund. Transfers from the Street and Capital Resources Funds are primarily to the Capital Project Funds or the Non-Voted Debt Service Fund.

FUND STRUCTURE

FUND/PURPOSE

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources to be used for the retirement of general long-term debt. The City has two types of general long-term debt for which resources are accumulated: general obligation long-term debt (voted, general obligation long-term debt and LTGO) and special assessment debt. Sources of revenue to fund the retirement of general obligation long-term debt are property taxes and transfers in from other funds. Special assessments are levied and received to retire special assessment debt.

Capital Projects Funds

Capital Projects Funds are used to account for the financing of major one time only capital projects other than those financed by Proprietary Funds. Sources of revenue are: proceeds of debt issuance, grants, and transfers from other funds.

PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for the financing of services provided to the general public where all or most of the costs involved are paid for by user charges. Operations financed as enterprise funds are operated in a manner similar to private business enterprises. Kent's enterprise funds are funded through water, sewer, and drainage utility charges and recreational charges at the City's golf complex.

RELATIONSHIP TO OTHER FUNDS

The Debt Service Funds receive the transfers from the Special Revenue Funds, Water Fund and Sewerage Funds to pay principal and interest on LTGO debt issues.

Transfers are received from Special Revenue and other funds as a partial source of funds needed to complete projects.

The Enterprise Funds "buy" services from the Fleet Services Fund for equipment rental and fuel; from the Insurance Fund for insurance needs; from the Central Service Funds for stores, telephone, postage, photocopying, printing and graphics, cable TV services, data processing and telecommunications; and from the Facilities Fund for facility maintenance and operation services. The Enterprise Funds also reimburse the General Fund for cost allocations for budgeting, accounting, human resource, legal and engineering costs which relate to Enterprise Funds. Other funds purchase utilities at the same rate as the general public.

FUND STRUCTURE

FUND/PURPOSE

RELATIONSHIP TO OTHER FUNDS

Internal Service Funds

Internal Service Funds are used to account for the financing of specific services performed by designated organizations within the City for other organizations within the City. The City's Fleet Services, Central Service, Facilities, and Insurance Funds provide centrally administered services then generate revenue by billing the organization to which the service is provided.

Centralizes costs for equipment rental, central services, facilities and insurance. These services are "sold" to other funds at cost plus a reserve for future needs.

FIDUCIARY FUND TYPES

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. Since their funds are not expendable for City operations they are not included in the budget. However, per state auditor requirements, estimates are provided for their activities.

BASIS OF ACCOUNTING

The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of 'generally accepted accounting principals' (GAAP). In most cases this conforms to the way the City prepares its budget. The exceptions are:

- ◆ Compensated absences liabilities are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (budget).
- ◆ Principal payments on long-term debt within the enterprise funds are applied to the outstanding liability in accordance with GAAP. These payments are included in the budget.
- ◆ Capital outlay within the enterprise funds are recorded as assets on a GAAP basis and expended on a budget-basis.
- ◆ Depreciation expense is recorded on a GAAP basis, but is not included in the budget.

DEPARTMENT AND FUND MATRIX

	ADMINISTRATION	ECONOMIC & COMM DEV	FINANCE	HUMAN RESOURCES	INFORMATION TECHNOLOGY	LAW	MUNICIPAL COURT	PARKS, REC & COMM SVCS	POLICE	PUBLIC WORKS	NON-DEPARTMENTAL
GENERAL FUND	X	X	X	X	X	X	X	X	X	X	X
SPECIAL REVENUE FUND											
Street Operating										X	
LEOFF 1 Retiree Benefits				X							
Lodging Tax											X
Youth/Teen											X
Capital Resources											X
Criminal Justice						X		X	X		
Community Dev Block Grants								X			
City Arts Program								X			
ShoWare Operating											X
DEBT SERVICE FUND											
Non-Voted											X
Special Assessment											X
CAPITAL PROJECTS FUND											
Street Capital										X	
Parks Capital								X			
Other Capital		X									
IT Capital					X						
ENTERPRISE FUND											
Water Utility										X	X
Sewer Utility										X	X
Drainage Utility										X	
Solid Waste Utility										X	
Utility Clearing			X							X	
Golf Complex								X			
INTERNAL SERVICE FUND											
Fleet Services										X	
Central Stores			X								
Information Technology					X						
Facilities								X			
Insurance				X							