

2013 - 2014 Adopted Budget

City of Kent, Washington

Operating Budget and
Capital Improvement Plan



CITY OF KENT, WASHINGTON

2013-2014 Adopted Budget



Suzette Cooke
Mayor

Prepared by:
Finance Department

R.J. (Bob) Nachlinger
Finance Director

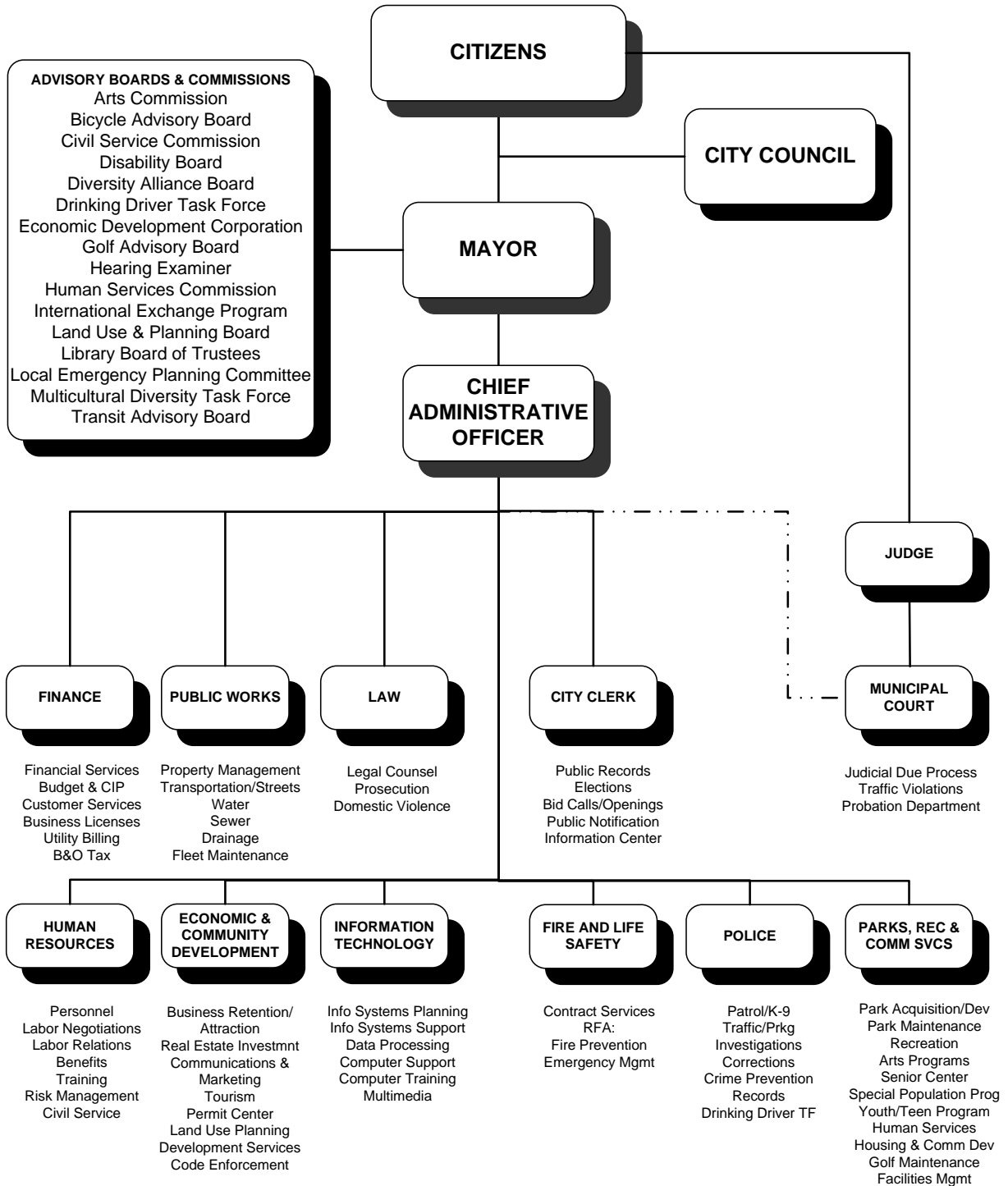
Paula Barry
Assistant Finance Director

Barbara Lopez
Financial Planning Manager

Kathleen Etheredge
Senior Financial Analyst

Patty Roseto
Senior Financial Analyst

City of Kent 2013 Organization Chart





Mayor Suzette Cooke



2013 City Council

Jamie Perry, Deborah Ranniger, Les Thomas (Front row)
Elizabeth Albertson, Council President Dennis Higgins,
Bill Boyce, Dana Ralph (Back row)

PRINCIPAL OFFICIALS

Kent operates under a Mayor-Council form of government. The City Council consists of seven citizens of Kent who are elected at large to staggered, four-year terms. Members of the City council then elect one council member to serve as president of the Council. The member elected serves a two-year term as president, and can be re-elected to as many two-year terms as desired by a majority of the City council. The City Council President serves as the mayor Pro Tem during any absence from the city by the Mayor. The City Council has five committees: Economic and Community Development, Operations, Parks and Human Services, Public Safety, and Public Works.

	Term Expiration
MAYOR	
Suzette Cooke	12-31-2013
COUNCIL MEMBERS	
Dennis Higgins, President	12-31-2013
Elizabeth Albertson	12-31-2013
Bill Boyce	12-31-2015
Jamie Perry	12-31-2013
Dana Ralph	12-31-2015
Deborah Ranniger	12-31-2015
Les Thomas	12-31-2015

GENERAL GOVERNMENT

John Hodgson, Chief Administrative Officer
Tom Brubaker, City Attorney
Lorraine Patterson, Human Resources Director
R.J. (Bob) Nachlinger, Finance Director
Michael Carrington, Information Technology Director

PARKS AND RECREATION

Jeff Watling, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Ken Thomas, Police Chief

ECONOMIC AND COMMUNITY DEVELOPMENT

Ben Wolters, Economic and Community Development Director
Fred Satterstrom, Planning Director
Tim LaPorte, Public Works Director

March 18, 2013

Dear Council President Higgins and City Council Members:

Congratulations on the adoption of the City's first two-year budget covering 2013-2014. The net Operating Budget totals \$287.5 million and the Capital portion is \$37.5 million, a combined total of \$325 million for the biennium.

The adopted budget recognizes continued economic challenges and includes both service reductions and new revenue sources. It incorporates efficiencies, maintains the public's safety, and honors your strategic goals. It diversifies our tax base and takes bold steps toward stabilizing the city's financial future.

Economic Background

These continue to be difficult times, not only for our residents and business community, but also for the City of Kent government and its employees. The **recession** impacts continue across the United States. It affects our local economy and is the most severe and longest lasting recession faced by the City in eight decades. Even as our economy begins to recover, we do not expect to return to pre-recession revenue levels for several years.

Besides the economic downturn, Kent has changed dramatically during this time period. We knew the **Panther Lake annexation** and its 25,000 residents would result in an increased demand for services, such as police, code enforcement, planning, road repairs and mowing. But the money promised by the state to offset expenses is less than originally anticipated and it does not cover capital costs necessary to provide the services.

In 2010, voters approved formation of the **Kent Regional Fire Authority**. Although that action transitioned fire and emergency medical services to a separate taxing authority, we are still paying debt for some of the RFA's buildings and equipment.

And one cannot think about our budget without recognizing the effect **ShoWare Center** has had on it. Conceived in 2006, it was built in record time in 2008 at the height of the economy. Construction costs alone soared by \$600,000 a month, during a time when much of our U.S. steel, cement and building materials were

being shipped overseas to feed the building frenzy occurring in China, the Middle East, and Vancouver, B.C.

Even with the escalation in costs, our economic indicators showed the City could handle the debt should revenues fall below projections. But the recession wreaked havoc on the performance industry - professional shows cancelled their tours and the sale of hockey suites in the arena suffered. Instead of ShoWare making a profit to help pay down the debt incurred to build it, the center has fallen short each year in its operating budget. This reality is now recognized in the 2013-14 budget by a new specific line item of \$500,000.

However, ShoWare Center alone is not the cause - nor the answer - to our financial struggles. Over the years we have enjoyed many amenities through **debt financing**. A partial list of city debt-financed investments includes:

- land for Kent Station and the Sounder Parking Garage
- ten acres for a planned aquatic center that is no longer financially feasible
- buildings: the former Aukeen District Court, Kent Commons, Senior Center, and Centennial Center
- seismic retrofits for City Hall, the Centennial Center, Valley Communications Center and police and fire stations
- parks: Town Square Plaza, Clark Lake Park, Service Club Ballfields and Wilson Playfields
- sidewalks and street improvements
- information technology

All of this was paid - and most of it is still being paid - through city debt.

Revenue Limitations

To continue the context in which this budget was built, we must recognize the limitations of our revenues - both in amount and source.

Property Tax collections are capped at 1% growth, plus new construction which has been stagnant during this slow economic recovery. Construction and property sales form the basis for our **Real Estate Excise Tax (REET)** revenues. While both are showing signs of improvement, our REET revenues continue to be down 40% from pre-recession receipts.

Sales Tax revenue has plummeted nearly 32%, with three factors contributing to such a major dip:

- The economic reality has propelled people to be more cost-conscious, and big box retailers, like Costco and Wal-Mart, have benefitted. Neither is located in Kent.
- On line shopping continues to eat away at brick-and-mortar retail outlets. Even though sales and use tax is still required for internet purchases, many customers do not “volunteer” to pay it. Although the Washington State Department of Revenue is tasked with collecting sales and use tax, it lacks the means to effectively collect on Internet purchases.
- When Washington State implemented Streamlined Sales Tax in 2008, it switched our sales tax collection from source-based to destination-based. This means that Kent can no longer collect sales tax on goods shipped out of our warehouses. The City is projected to receive \$4.8 million per year in mitigation dollars from the state, which only partially covers the sizable loss of sales tax revenue. The state legislature has reduced the mitigation amount each year. We will never be made whole.

There’s a public perception that the **Gas Tax** should provide more than enough money to pay for our roads and street maintenance. But gas tax itself is insufficient. As we buy more fuel-efficient vehicles, hybrids and electric cars, fuel tax revenues will continue to decline.

Cost Drivers beyond the City’s control:

- Rising **gas prices**, combined with **property insurance** rate increases due to national disasters, will cost us an additional \$305,000 in 2013.
- **Health care** costs are up 5% to the tune of \$265,000 in 2013, and another \$295,000 in 2014.
- State mandated public **employee pension** payments are up \$80,000 for the second half of 2013, and \$170,000 in 2014.

Quite simply, our revenues do not keep pace with basic cost increases, leaving us with an unsustainable operation – one that will remain unsustainable unless we do something to address available revenues vs. expenses.

Council Policies

The City Council's Strategic Plan includes the development of a sustainable funding model, and this adopted budget moves us in that direction. The City Council also approved two measures that provided a solid framework for the budget process:

- **Biennial Budget:** On March 6, 2012, Council approved shifting to a new biennial budget process which complements longer-term planning.
- **Financial Policies:** On June 5, 2012, Council adopted updates to the Financial Policies that guide the budget process, including:
 - Work toward a **10% fund balance** in the General Fund
 - Establish a **\$1.5 million contingency/emergency fund** that is separate from the 10% fund balance. To build this fund, we will contribute \$500,000 annually for the next three years.
 - Establish a **capital reserve fund**, contributing \$250,000 annually.

Also, this budget modifies the way we fund **human services**. Traditionally, an amount equal to 1% of the previous year's general fund revenues was allocated to fund these services, placing them at the mercy of our fluctuating economy. Council approved shifting to a per capita basis for improved stability. The 2013 rate is \$6.96 per capita, generating nearly \$829,000 for direct grants to human service organizations. (No staff or overhead costs are off-set.) The rate will increase according to inflation. By comparison, cultural arts programs have always been funded at \$2.00 per capita, which also pays a portion of staff costs.

Operating Budget

The 2013-14 net Operating Budget totals \$287.5 million for two years. That is a 0.2% increase from the annual budgets for 2011 and 2012 combined.

New and Increased Revenues: Before City Council adopted the budget, the following revenue proposals were the subject of numerous public meetings with residents and businesses:

- **New 6% Cable TV Utility Tax:** Kent joined most neighboring jurisdictions in charging this tax. The projected \$1.3 million annual revenue will apply towards the City's technology needs.
- **Increased Permit and Inspection Fees:** By providing 75% cost recovery for these services, the City will generate an additional \$1.2 million annually. Our rates remain below market, keeping us in a competitive position within the region.

- **New Business & Occupation Tax:** Council approved a B&O Tax that is projected to generate \$5 million annually. It will provide funds for street infrastructure.
- **Additional 3% Internal Utility Tax:** An internal utility tax is imposed by the City on its own water, sewer and storm drainage utilities. It is not a direct tax paid by residents or businesses. The additional internal utility tax, generating \$1.76 million annually, is dedicated to paying down debt service and increasing the General Fund reserve. 2% will cover the 10-year repayment of an inter-fund loan for the outstanding balance of ShoWare Center construction costs, and sunsets when the debt is fully paid. The remaining 1% will help increase General Fund reserves to 10%, and will sunset when the 10% reserve is reached.

Cost Reductions

We did not increase revenues without also cutting expenses. Since 2008 the City has **eliminated 102 positions**, including 20 in this biennium. This figure does not include Kent Fire Department personnel who left the City in July 2010 to form the Kent Regional Fire Department Authority, a separate government jurisdiction overwhelmingly approved by a public vote. Also, 2013 is the fourth consecutive year that city employees have gone without pay increases.

These cuts come with consequences that will be particularly felt in services provided by our Public Works, Police and Parks Departments:

- Eliminated the Human Services **resource and referral coordinator** position, pushing these services out to contract agencies.
- **"Big Blue"** bit the dust. Our mobile technology bus brought access of books and computers to youth events and low income residential areas. Staff and resources were re-allocated to other adaptive recreation programs.
- Eliminated the **Visual Arts Coordinator** position, spreading the responsibility to other Cultural Arts staff.
- Discontinued City operation of the **Morford Family Carousel** - we need private investment to support this program.
- Reduced Engineering design, **traffic control**, and responsiveness to street signs and markings.
- Integrated the **police bike patrol** into the general patrol units so we have greater city-wide coverage and reduced operational costs. The bike patrol will mobilize as needed.

- Although there are no reductions to the number of uniformed officers, we will delay filling four vacant **police positions** until mid 2013. We project being able to hire an additional police officer if Criminal Justice revenues are made available from the state.
- Technology improvements allowed us to eliminate a **police administrative assistant** and a **police records specialist**.
- Reduced the General Fund subsidy for **recreation programs** through fee adjustments and reduced activities.

New Positions have been added in key areas to meet public demand or more fully engage the private sector:

- A half time position in **Code Enforcement** to begin re-building that service after prior layoffs.
- An additional **Building Inspector** in July 2013 to meet anticipated demand - and paid by increased permit and inspection fees.
- A Parks and Recreation **Fund Development Officer** in 2014 to fundraise from private parties to reduce the General Fund subsidy to these programs.

Capital Budget

The capital portion of the 2013-14 Biennial Budget totals \$37.5 million. Of that, \$23 million represents Enterprise Funds (revenue-generating services like the golf course), \$12.9 million applies to Capital Projects Funds (streets, parks, information technology), with the remainder for Governmental Funds such as fleet replacement.

Revenues available for the general Capital Budget remain significantly below 2008's level. For the past four years, the decline in revenues has placed extreme pressure on our ability to preserve and maintain our assets, including streets, parks, facilities and technology. To alleviate some of this pressure, a portion of the new revenues are dedicated to capital, including:

- \$4.7 million of the Business & Occupation Tax for **street overlays** and materials
- \$850,000 of Cable TV Utility Tax for **technology** capital needs

As a result of the property tax levy for our **streets and parks** being defeated in November, capital funding for their repair and maintenance remains critically lacking.

The Capital Budget also includes funding for ongoing major repairs and preservation of our utilities infrastructure for **water, sewer and drainage** services. The projects, which are funded through utility rates and grants, include:

- Further upgrades to the Green River levee system to improve safety and lead to accreditation by FEMA (Federal Emergency Management Agency)
- Drainage and pump station improvements to re-route surface waters and reduce flooding in the Mill Creek Basin
- Sewer infrastructure improvements and pipe replacements
- Water infrastructure improvements in the East Hill pressure zone and pipe replacements

Conclusion

The impact of this recession has not been easy on anyone. The dreadfully slow and painful economic recovery, combined with the effect of streamlined sales tax, has left the City with limited options. This budget is a reflection of our commitment to ensure sustainable operations for the services you value – in light of the economy.

I wish to thank our personnel who have worked diligently and creatively to contribute solutions to our budget challenges. For the fourth year in a row they have covered for each other during staff shortages, foregone wage increases, sacrificed training, and scrimped on supplies.

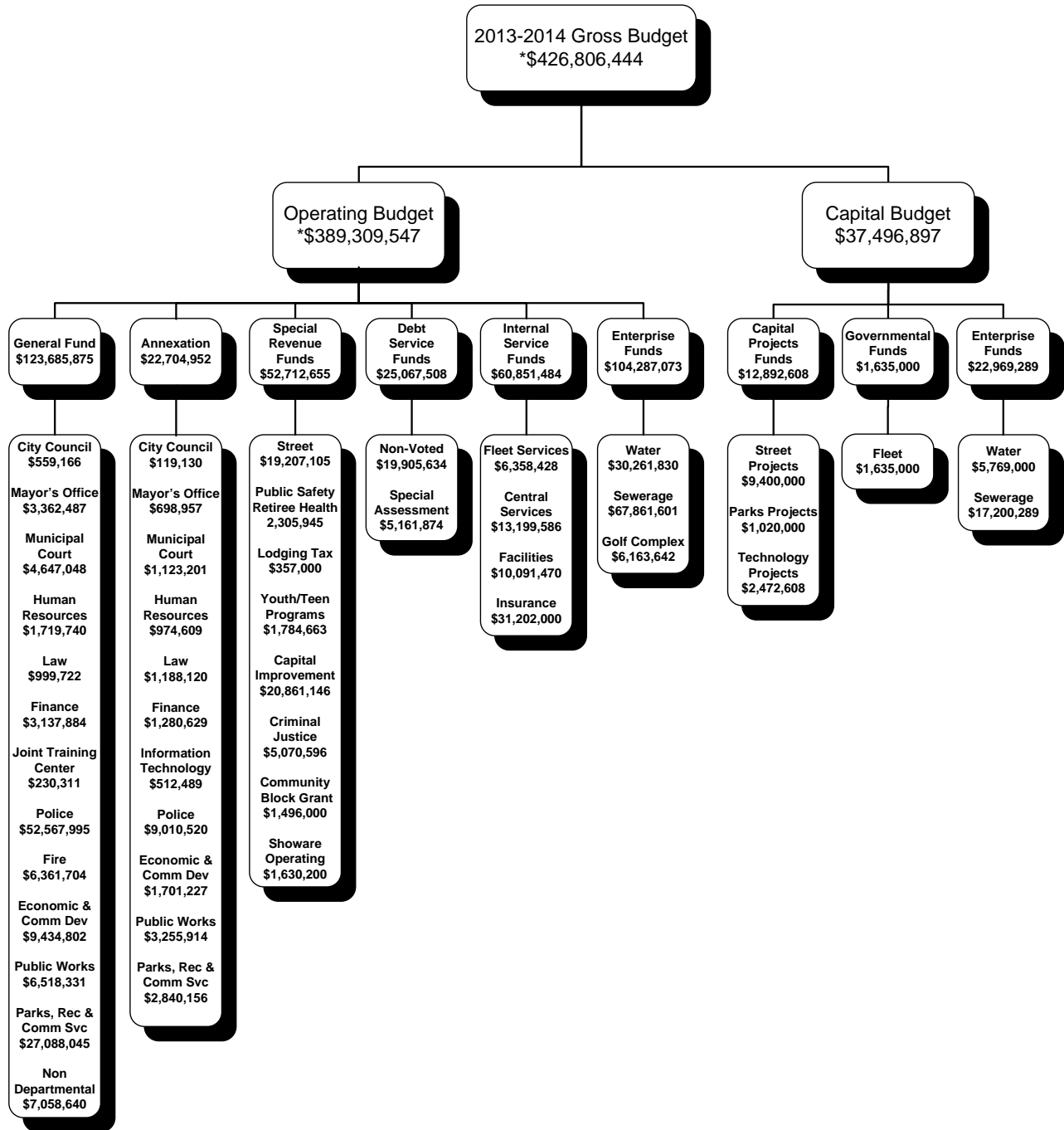
Council members, thank you for your robust debates, passion and perseverance through the budget process. The conversations that took place showed your deep commitment to this community; a quality community that provides people living and doing business here a safe environment that we are proud to call home.

Respectfully,

A handwritten signature in black ink that reads "Suzette Cooke". The signature is written in a cursive, flowing style.

Suzette Cooke
Mayor

City of Kent Capital & Operating Budget



*Includes Transfers and Internal Services

CITY OF KENT, WASHINGTON
2013 - 14 Biennial Budget
Combined Operating Statement

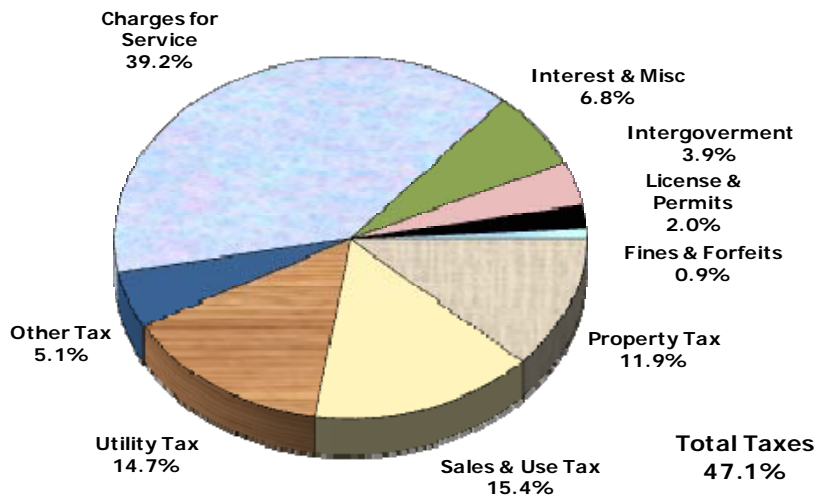
	2013 Beginning Balance	2013 Revenues	2013 Expenditures	2014 Revenues	2014 Expenditures	2014 Ending Balance
GOVERNMENTAL FUNDS						
GENERAL FUND						
Excluding Annexation	2,141,075	62,855,544	61,109,660	64,169,159	62,576,215	5,479,903
Annexation	415,875	11,313,867	11,229,620	11,551,948	11,475,332	576,738
SPECIAL REVENUE FUNDS						
Street Operating	271,151	9,548,286	9,581,920	9,601,506	9,625,185	213,838
LEOFF 1 Retiree Benefits Fund	472,982	986,306	1,121,608	1,075,794	1,184,337	229,137
Lodging Tax Fund	94,907	194,432	178,500	196,862	178,500	129,201
Youth/Teen Programs	119,957	892,630	886,139	903,061	898,524	130,985
Capital Improvement	(12,411,319)	15,995,465	10,261,472	10,685,466	10,599,674	(6,591,534)
Criminal Justice	1,045,643	2,533,180	2,516,815	2,563,979	2,553,781	1,072,206
Community Block Grant		748,000	748,000	748,000	748,000	
Other Operating Projects	328,776	120,251		118,280		567,307
ShoWare Operating Fund	(2,355,552)	1,350,000	810,000	1,400,000	820,200	(1,235,752)
DEBT SERVICE FUNDS						
Voted	2,284					2,284
LTGO Debt		9,852,575	9,852,575	10,053,059	10,053,059	
Special Assessment	976,214	3,528,985	2,659,355	3,484,056	2,502,519	2,827,381
CAPITAL PROJECTS FUNDS						
Street Projects		4,700,000	4,700,000	4,700,000	4,700,000	
Parks Projects		510,000	510,000	510,000	510,000	
Technology Projects		1,224,800	1,224,800	1,247,808	1,247,808	
PROPRIETARY FUNDS						
ENTERPRISE FUNDS						
Water	752,609	18,145,464	17,794,479	18,636,186	18,236,351	1,503,429
Sewerage	6,479,238	42,655,076	44,691,417	43,824,145	40,370,473	7,896,569
Golf Complex	(2,295,761)	3,072,234	3,057,054	3,122,234	3,106,588	(2,264,935)
INTERNAL SERVICE FUNDS						
Fleet Services	1,528,371	3,994,336	4,285,556	4,392,240	3,707,872	1,921,519
Central Services	290,384	6,704,538	6,536,032	6,735,556	6,663,554	530,892
Facilities Fund	614,013	4,884,083	4,999,163	5,065,110	5,092,307	471,736
Insurance	6,808,607	16,332,519	14,987,292	16,906,345	16,214,708	8,845,471
TOTAL GROSS BUDGET	5,279,454	222,142,571	213,741,457	221,690,794	213,064,987	22,306,375
LESS:						
Internal Service Funds		28,965,979	28,965,979	30,239,381	30,239,381	
Transfers		21,209,743	21,209,743	21,440,271	21,440,271	
TOTAL BUDGET	5,279,454	171,966,849	163,565,735	170,011,142	161,385,335	22,306,375

2013-14 BUDGET HIGHLIGHTS

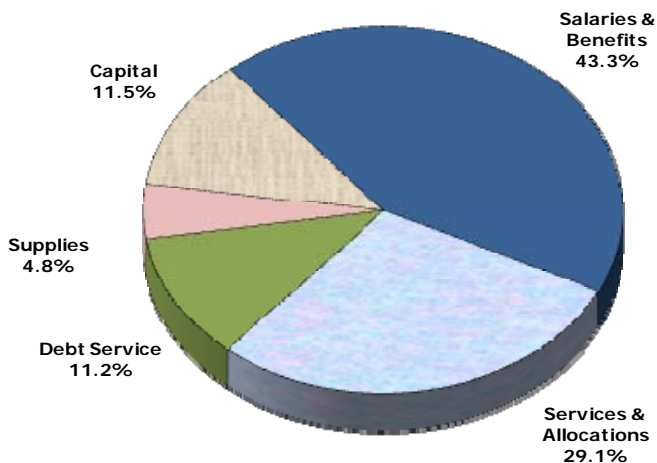
On December 11, 2012, Council adopted the City’s first biennial budget. The adopted 2013-14 net biennial budget totals nearly \$325 million and reflects Kent’s continued efforts to adjust to a new economic reality, where rising costs converge with deteriorating revenues. The two year budget includes \$3 million of additional spending as a result of state mandates, contracted services and rate increases, which is fully offset by \$3.1 million in program and other reductions. Council also approved two new revenue streams to help augment deteriorated revenues: (1) a business and occupation tax that is expected to generate \$4.7 million for street maintenance and repairs; and (2) a 6% cable utility tax that is expected to generate \$1.3 million to address Information Technology operations and capital needs.

Where the Money Comes From

During these challenging economic times, the City is fortunate to have diverse revenue streams. Taxes are the primary funding of general governmental services, composing 47.1% of the total funding sources for 2013-14. Charges for services are largely user fees for water and sewerage utilities. Golf revenues and parks-sponsored classes are other examples of this type of revenue. Intergovernmental revenue is primarily from grants and shared revenues from the State and county such as the Liquor Board profits and excise taxes. Licenses and permits include business licensing and permitting revenues. Fines and forfeitures are collected for city infractions and court costs.



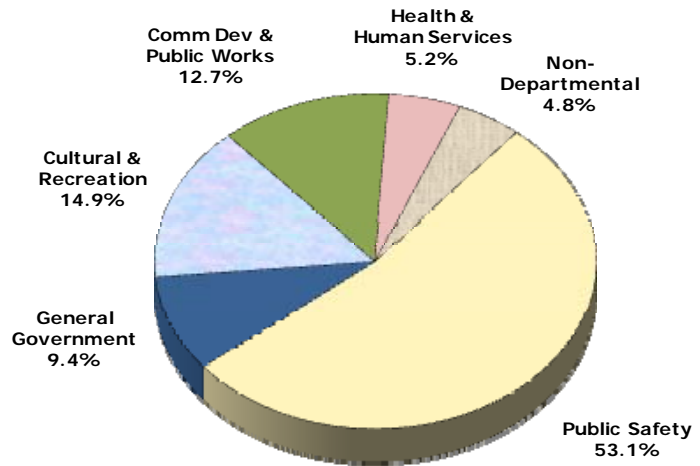
Where the Money Goes by Category



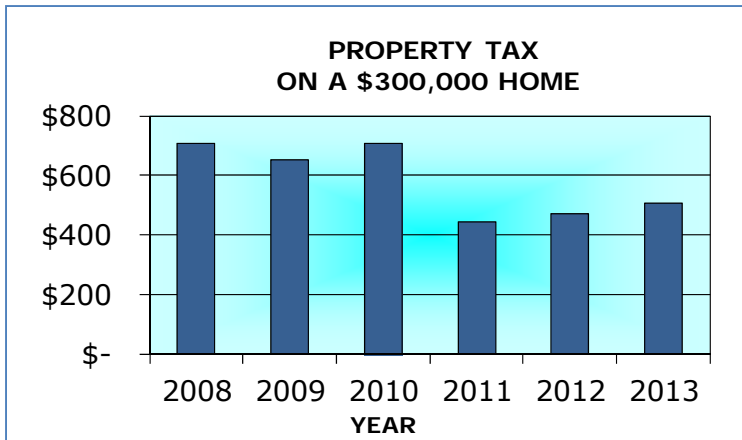
Salaries and benefits make up 43.3% of city uses supporting 615.805 full time equivalent positions. Services and allocations are expenditures for outside contractors, consultants and other services. Debt service is the debt repayment of principal and interest on the City’s bonded debt. The bonds are issued to finance construction of capital projects such as parks, roads, water, storm sewer and system improvements. Capital outlays are valuable fixed assets generally with a lifetime of more than three years. Supplies expenditures are for office and operating expenses.

Where the Money Goes by Program

Public Safety, including Police, Municipal Court and Youth Teen Programs, represent 53.1% of the General Fund expenditures, including Annexation. Health and Human Services at 5.5% include contracts with human service agencies, Parks Senior Center, Adult Day Care, and Adaptive Recreation Programs. Community Development and Public Works at 12.7% includes the Permit Center, Planning and Building Services, Street and Public Works. Other Parks Programs at 14.9% are included in Culture and Recreation. General Government includes the administrative and support functions of City Council, Mayor's Office, City Clerk, Human Resources, Legal and Finance Departments. General Government composes 9.4% of the General Fund budget.



City Share of Property Taxes

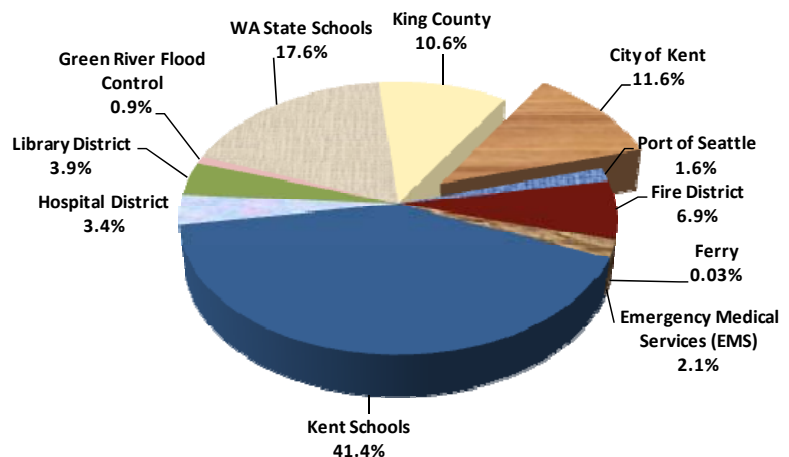


Property taxes are a major source of revenue for municipalities as well as other government entities. Beginning in 2011, property taxes were reduced by \$1 per assessed valuation due to formation of the Regional Fire Authority. Based on citywide assessed valuation, the 2013 total levy rate is \$1.694 per one thousand dollars assessed valuation, which is well below the maximum allowable rate of \$2.10.

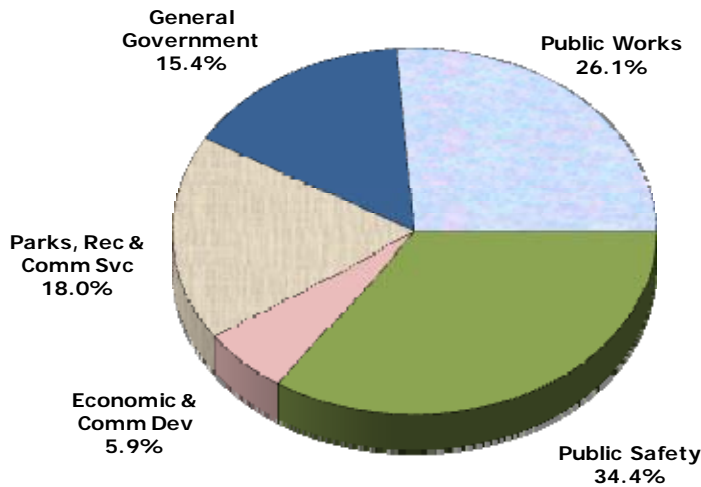
Where Property Taxes are Distributed

King County establishes property tax values and sets property tax rates based on each area's submitted needs. Of a typical Kent 2013 property tax bill, only 11.6% goes to the City of Kent. The remaining 88.4% is distributed to other agencies as shown here.

Residents in the Federal Way School District may notice a variance in the percentages shown here due to a levy rate difference between the two school districts.



Staffing

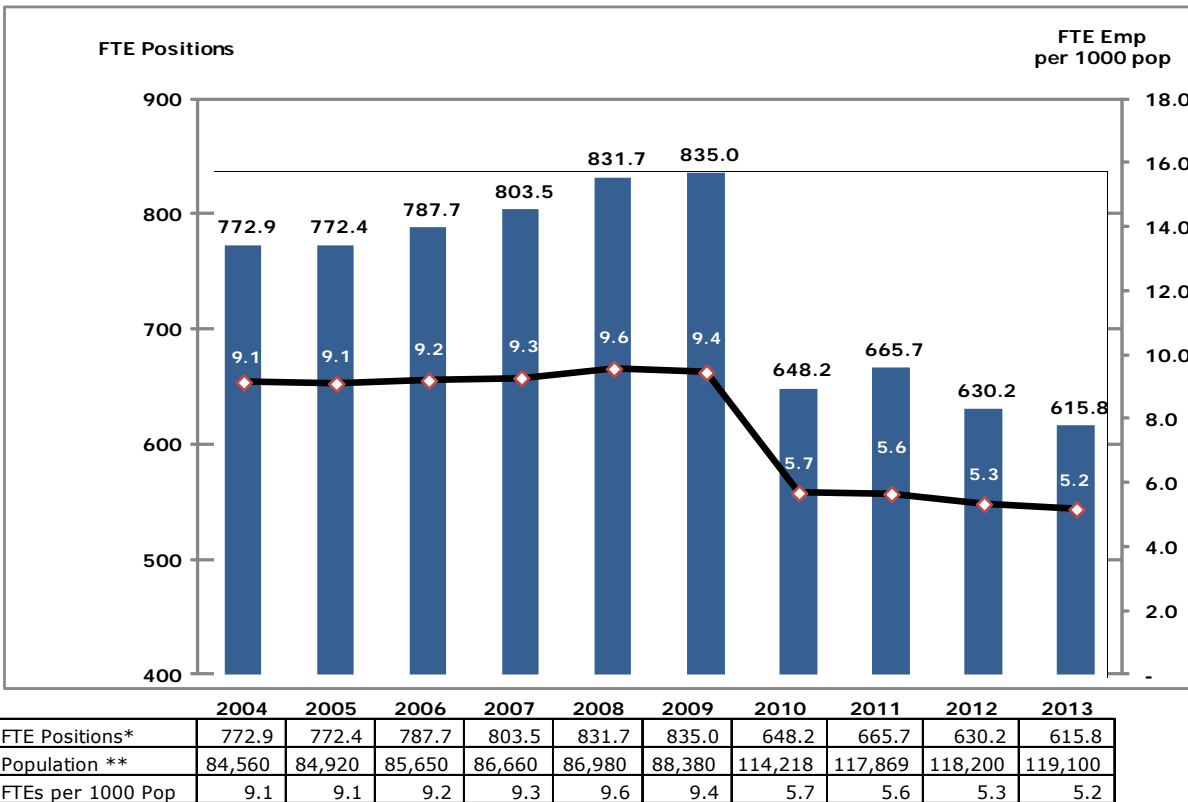


Salaries and benefits represent approximately 66.2% of the General Fund and Annexation expenditures.

Citywide for 2013, there are a total of 615.805 full time equivalent positions. Authorized positions decreased by 18.075 in eliminated or reduced positions, offset by a 3.725 FTE increase. New positions include two B&O Tax Auditors and a Combination Building Inspector.

Efficiency

Our increasing efficiency is demonstrated by the graph shown below. In the past ten years, the population in Kent has increased by 40.8%, yet the number of employees per 1,000 residents has declined from 9.1 to 5.2.



* Full-Time Equivalent (FTE) employees were reduced by 166 Fire Department employees that transferred to the Regional Fire Authority (RFA) on July 1, 2010.

** Populations are based on state official estimates. 2010 includes the Panther Lake Annexation effective July 1, 2010.

Major Changes in the 2013-14 Biennial Budget

Dept	Description	FTE	2013 General Fund (1)	2013 Other Fund (1)	2014 General Fund (1)	2014 Other Fund (1)	Fund	Comments
Revenues								
Approved Contracts								
	Court Services - Maple Valley Contract		175,000		175,000			
	Jail Services - Maple Valley Contract		80,300		80,300			
	Total Approved Contracts		255,300		255,300			
Proposed Revenues								
	Business & Occupation Tax		300,000	4,700,000	300,000	4,700,000	Street	
	Cable Utility Tax - 6%			1,300,000		1,300,000	IT/Annex	
ECD	Inc Permits/Plans Review to ~75 Cost Recovery		1,132,451		1,134,579			
ECD	Cell Tower/Billboard Lease Admin Fees		2,000		2,000			
Admin	Kent4Health Donations		2,500		2,500			
	Total Proposed Revenues		1,436,951	6,000,000	1,439,079	6,000,000		
	Total Revenue Impacts		1,692,251	6,000,000	1,694,379	6,000,000		
Expenditures								
Required - per contract or other mandate								
	PERS Retirement Rate Increase - 1.9%		80,000		170,000			mandate - state
	LEOFF 1 Retirees Rate Increase - 11.5%		59,365		66,192			mandate - state
ECD	Comprehensive Plan Update				100,000			mandate - state
ECD	Consulting-Wetland & Critical Areas Review			60,000		70,000	Utilities	eliminate vacant FTE
Police	Law Enforcement Academy Training			19,986		19,986	Crim Just	required officer training
Police	Valley Communication Fees		18,445	5,202	37,074	10,456	Annex	interlocal agreement
Police	Corrections Food Services Agreement		2,551	2,576	5,127	4,025	Annex	contracted services
Police	Corrections Medical Services Agreement		12,692	2,418	16,540	3,151	Annex	contracted services
Police	Police Range Air Filtration System			11,000			Seized	filters required every 4 years
PW	Bridge Inspection Services				10,330			mandate - FHA and WA State
	Total Required		173,053	101,182	405,263	107,618		
Council Strategic Goals								
HR	Cultural Diversity Initiative - Temp PT		25,600		25,600			contingent on proposed fees
ECD	Econ Dev Strategic Plan-Action Items		20,000		50,000			contingent on proposed fees
ECD	Downtown Subarea Action Plan -Action Items		50,000		50,000			
	Total Council Strategic Goals		95,600		125,600			
Expected Actual Expenditures								
HR	Cost Increases-fuel, equip reserves, property ins		305,000		320,250			
Parks	Netmotion-remote access to city network		3,000		3,000			
Police	Garbage Expense Adjustment-Park Ops		10,717	7,526	11,632	7,526	Crim Just	bring budget in line with costs
	Detective Software Licensing-annual mtc							decreased grant funding
	Total Expected Actual Expenditures		318,717	7,526	334,882	7,526		

Major Changes in the 2013-14 Biennial Budget

Dept	Description	FTE	2013 General Fund (1)	2013 Other Fund (1)	2014 General Fund (1)	2014 Other Fund (1)	Fund	Comments
Other Budget Needs								
	Medical Rate Increase - 5%		265,000		295,000			cost offset by donations
Admin	Kent4Health Walk Program		2,500		2,500			contingent on proposed fees
ECD	Research Marketing Recruitment		15,500		15,500			contingent on proposed fees
ECD	Combination Building Inspector Position	1.000	55,316	2	106,632			
ECD	Remote Access - Inspectors & Code Enforce		26,000		3,600			
HR	Professional Services - Human Resources		60,424		3,500			
HR	Employee of the Month / Year Program		3,500					
Police	Ballistic Vest Replacements					12,620	Crim Just	decreased grant funding
PW Ops	Increase MW2 position to full time	0.475		26,500		26,500	Annex	
PW Ops	10 Yard Dump Truck			150,000			Storm	
PW Ops	F250 Chase Truck			36,500			Storm	
PW Ops	Hydraulic Water Valve Turner			24,000			Water	
PW Ops	Purchase Used Vector Truck from Storm			45,000			Water	
PW Ops	Vector Truck Reserves for 2018 Replacement			75,000		75,000	Water	
	Total Other	1.475	428,240	357,000	426,732	114,120		
Span of Control & Reductions								
Span of Control Savings:								
Finance	10072 - Eliminate Accounting Manager	(1.000)	(126,915)		(128,242)			
Finance	10853 - Add Administrative Asst 2	1.000	86,955		88,546			
Eliminate vacant positions:								
Parks	Maintenance Worker (attrition)	(1.000)	(82,536)	(20,634)	(83,459)	(20,865)		
Parks	10523 - Human Services Admin Asst	(0.750)	(65,896)		(66,582)			
Facilities	10851 - Custodian	(1.000)	(54,914)	(13,729)	(56,068)	(14,017)		
PW Engr	10670 - Engineer 2	(1.000)						frozen position-no savings
PW Engr	10686 - CTR Program Coordinator	(1.000)						grant ended-no savings
Court	10829 - Judicial Specialist	(1.000)	(79,808)		(81,341)			
Law	10301 - Legal Secretary 1	(0.800)		(67,631)		(68,800)		
ECD	10049 - Conservation Analyst	(1.000)		(106,991)		(108,155)	Utilities	use consultant services
Police	10831 - Evidence Custodian	(0.525)						grant ended-no savings
Police	10515 - Patrol Officer (COPS grant)	(1.000)						grant ended 9/30/12-no savings
Police	10516 - Patrol Officer (COPS grant)	(1.000)						grant ended 9/30/12-no savings
	Program Reductions - see separate list	(6.475)	(829,721)	(377,446)	(510,016)	(328,023)		
	Total Span of Control & Reductions	(16.550)	(1,152,835)	(586,431)	(837,162)	(539,860)		
B&O Tax Uses								
	B&O Tax Program Administration	2.000	300,000		300,000			staff, software, services
	Street Overlays, Supplies & Materials			4,700,000		4,700,000	Street	
	Total B&O Tax Uses		300,000	4,700,000	300,000	4,700,000		

Major Changes in the 2013-14 Biennial Budget

Dept Description	FTE	2013 General Fund (1)	2013 Other Fund (1)	2014 General Fund (1)	2014 Other Fund (1)	Fund	Comments
Cable Utility Tax Uses							
IT Staffing			260,000		260,000	Annex	
IT Licensing & Maintenance Fees			340,000		340,000	IT	
IT Capital & HW/SW Replacement			700,000		700,000	IT	
Total Cable Utility Tax Uses			1,300,000		1,300,000		
Total Expenditure Impacts							
	(15.075)	162,775	5,879,277	755,315	5,689,404		
Net Cost of Major Changes							
	(15.075)	(1,529,476)	(120,723)	(939,064)	(310,596)		
		2013 Net	(1,650,199)	2014 Net	(1,249,660)		
			2 Year Net Cost		(2,899,859)		

Notes:

- 1 - Amounts in 2013 and 2014 reflect total additions based on 2012.
- 2 - partial year costs

Program Reductions in the 2013-14 Biennial Budget

Description	FTE	2013 General Fund	2013 Other Fund	2014 General Fund	2014 Other Fund	Fund	Comments
Economic & Community Development							
Reduce Federal Lobbying Contract		(33,966)		(34,645)			
Add Code Enforcement Officer	0.525			61,840			
Total Econ & Comm Development	0.525	(33,966)	0	27,195	0		
Parks, Recreation & Community Services							
Human Services							
Replace 1% with Per Capita Funding		210,134		210,134			total \$928,980; \$7.80 per capita
Shift existing positions to per capita funding:							
50% Sr. Human Services Coordinator		(56,075)		(56,814)			
50% Human Services Coordinator		(48,319)	(91,834)	(49,035)	(92,874)	Annex	
Eliminate Human Services Coordinator	(1.000)						
Shift existing positions to Annex funding:							
50% Sr. Human Services Coordinator		(56,075)	56,075	(56,814)	56,814	Annex	
50% Human Services Coordinator		(48,319)	48,319	(49,035)	49,035	Annex	
City Arts Program		(108,470)		(110,191)			
Eliminate City Arts Program Coordinator	(1.000)						
Shift existing positions to City Arts funding:							
50% Parks Program Manager							
50% Administrative Assistant 1							
Recreation							
Eliminate Mobile Tech Bus Program		(15,000)		(15,000)			cost shift only - no net gain/loss
Reduce Recreation net costs		(100,000)		(100,000)			cost shift only - no net gain/loss
Park Operations							
Reduce Supplies		(15,000)		(15,000)			
Facilities							
Eliminate Custodian	(1.000)		(56,497)		(57,238)	Facilities	
Reduce Custodial Supplies			(63,503)		(62,762)	Facilities	
Savings to departments - reduced Facilities costs		(99,336)	(20,664)	(99,336)	(20,664)		
Parks Fund Development Officer	1.000			90,000			
Total Parks, Rec & Comm Services	(2.000)	(336,460)	(128,104)	(251,091)	(127,689)		
Police							
Fill vacant positions July 2013:							
Commander		(75,465)					
Sergeant			(50,211)			Annex	
Officer - 2		(100,421)					
Unfreeze 1 Officer position in CJ Fund			100,421		101,545	Crim Just	
Eliminate Administrative Assistant 2	(1.000)	(76,073)		(76,651)			
Eliminate Records Specialist	(1.000)	(69,180)		(70,020)			
Total Police *	(2.000)	(321,139)	50,210	(146,671)	101,545		
Public Works							
PW Operations - Signs & Markings							
Eliminate Mtc Worker 2 positions	(2.000)	(66,829)	(86,533)	(67,115)	(87,562)	Annex	

Program Reductions in the 2013-14 Biennial Budget

Description	FTE	2013 General Fund	2013 Other Fund	2014 General Fund	2014 Other Fund	Fund	Comments
Shift 50% Street Superintendent to Annex Transportation		(71,327)	71,327	(72,334)	72,334	Annex	
Reduce Transportation Materials			(150,000)		(150,000)	Street	
Shift 50% Engineering Tech 3 to Engr Design	(0.500)		(51,451)		(52,159)	Street	
Design Engineering							
Add 50% Engineering Tech 3	0.500	0		0			alloc to projects - no gain/loss
Eliminate Engineering Tech 3	(1.000)		(82,895)		(84,492)	Str/Util	alloc to projects - no gain/loss
Total Public Works	(3.000)	(138,156)	(299,552)	(139,449)	(301,879)		
Total Program Reductions	(6.475)	(829,721)	(377,446)	(510,016)	(328,023)		

2013 Total (1,207,167) 2014 Total (838,039)

* An additional 3 officer positions in the Criminal Justice fund to be unfrozen in 2014, contingent on receipt of sufficient Criminal Justice revenues from the State.

BUDGET CALENDAR 2013-14 BIENNIAL BUDGET

COUNCIL WORKSHOP Review budget calendar and preliminary revenue forecasts	May 15
BUDGET SYSTEM TRAINING FOR DEPARTMENTS Training for new users or refresher for current users	May 21-25
BUDGET CALL & CIP KICK OFF MEETING Mayor provides budget instructions to departments	May 22
DEPARTMENTS MEET WITH FINANCE Review and adjust baseline budgets Departments prepare CIP requests	Jun 18–Jun 29
DEPARTMENT PRESENTATIONS TO ADMINISTRATION Departmental Presentation of Issues	Jul 16–Aug 2
BUDGET and CIP BALANCING Review and adjust baseline budgets and capital project requests	Aug 13–Sep 21
COUNCIL REGULAR Public Hearing on the 2013-14 Biennial Budget (1 st public hearing) Capital Improvement Plan 2013 – 2018 (1 st public hearing)	Sep 18
COUNCIL WORKSHOP Distribute Budget to Council Mayor’s Budget Message and Preliminary Budget Overview	Oct 2
COUNCIL BUDGET WORK SESSION	Oct 9
COUNCIL BUDGET WORK SESSION	Oct 13
COUNCIL REGULAR Public Hearing on the 2013-14 Biennial Budget and CIP (2nd public hearing) Public Hearing on the 2012 Property Tax Levy	Oct 16
COUNCIL BUDGET WORK SESSION	Oct 23
COUNCIL BUDGET WORK SESSION	Oct 30
COUNCIL BUDGET WORK SESSION	Nov 14
COUNCIL REGULAR Adoption of the 2013-14 Biennial Budget Adoption of the 2012 Property Tax Levy	Dec 11

Mid-Biennium Review and Modification – The biennial budget statute requires jurisdictions electing a biennium budget to perform a mid-biennium review and modification of the adopted budget per RCW 35A.34.130. The review and modification shall occur no sooner than eight months after the start nor later than conclusion of the first year of the fiscal biennium.

FINANCIAL POLICIES

FINANCIAL STABILITY POLICIES

General Fund Reserves – The target for the General Fund contingency Reserve is 10% of the General Fund Budgeted expenditures or an amount that will maintain sufficient cash flow, whichever is greater. The policy is designed to provide a fiscal cushion, meet seasonal cash flow shortfalls. If the General Fund reserves go below 10%, based on the ending fund balance on December 31 of each year, the City shall take steps to rebuild the reserve within the next fiscal year.

Strategic Opportunities Fund – The City shall annually transfer any amount in excess of the 10% contingency reserve in the General Fund to this fund. This fund will act as if it is a permanent fund except that it may be used to take advantage of investment opportunities that may arise. This fund shall only be utilized by an appropriation approved by City Council. In the event any of this fund is used in an economic downturn to stabilize city finances, such appropriation shall be repaid to the fund annually over the next three years.

Capital Reserve Fund – The City shall annually budget a minimum of \$250,000 into a reserve for the general capital needs of the City. Such fund may be used for unanticipated capital needs typically resulting from a natural disaster. This fund is designated to act as a stabilization fund for general capital and may, with a specific appropriation by City Council, be used for investment in revenue producing capital projects. This fund shall be enumerated in the budget and accrue each year.

Contingency for Unanticipated Costs – The City will annually budget no less than \$500,000 in the General Fund for unanticipated costs. This amount, if unused, will be transferred into a project account until the amount reaches a maximum of \$1,500,000. If the fund or any portion of it is used, the City shall restore the balance to its \$1,500,000 within three years.

Equipment Replacement Fund - The City will maintain an Equipment Rental 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.

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. Beginning in 2011, the liability insurance fund is funded through commercial insurance for claims of \$250,000.

Pension Funds - The City will maintain an actuarially sound Firemen's Relief and Pension Fund.

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.

FINANCIAL POLICIES

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.

OPERATING BUDGET POLICIES

City Target Issues – The City Council will update its strategic plan in the early spring of each year. The staff will use this plan for development of the following year's budget priorities and the next biennial budget.

Budget Kickoff – The Mayor and City Council shall meet in the spring of even numbered years to plan the following biennial budget and agree on the anticipated revenues on which the preliminary budget will be based. The city council shall review revenue estimates and preview potential changes to revenues. The City Council shall then approve the revenue amount that will be used by the Mayor to form the initial preliminary budget. The Mayor and City Council will meet additionally in late summer to re-review the revenue estimates and to adjust them more closely to the additional revenue information that has become available with the passage of time. Any changes resulting from this meeting shall be incorporated into the preliminary budget to be considered by City Council.

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.

Preliminary Budget – The Mayor shall propose a preliminary budget in the fall of even numbered years. The preliminary budget will be developed in accordance with the revenues approved by the City Council at the budget kickoff as amended. If the preliminary budget is based on revenues in excess of those approved by City Council, the Mayor will present the justification for the increased revenues or the additional proposed revenue sources.

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.

Self Supporting Proprietary Funds - The City's water, sewer 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

FINANCIAL POLICIES

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.

Health Insurance Reserves – The target reserve for the Health Insurance Fund shall be two times IBNR.

Full Cost of Service – The City will define its basic services to our residents. The services will be evaluated as to their full cost. This information will be incorporated and presented as a section of the annual budget.

REVENUE POLICIES

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.

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.

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.

CAPITAL BUDGETING POLICIES

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.

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.

DEBT POLICIES

Projects Funded by Bonds – The use of long-term debt shall be minimized. The City should issue debt only for major capital projects. Debt should only be authorized for projects where the life of the asset constructed or acquired exceeds the life of the debt.

Debt Service – To ensure that the City always meets all of their debt obligations, payments on outstanding debt shall be the highest priority before payment for other

FINANCIAL POLICIES

capital expenditures.

Bond Rating - The City will continue to strive to improve its bond rating by improving its financial stability.

Debt Capacity - The City strives to maintain adequate available debt capacity for large top priority projects.

Bonding Limitations - Direct General Obligation Debt will not exceed 1.5% of assessed value; direct and indirect debt will not exceed 4% of assessed value; duration of the debt will not exceed 15 years.

Revenue Debt Covenants - Will be based on the volatility of the revenues.

Arbitrage regulations - Will be strictly followed.

Special Assessment Guaranty Fund - The City will strive to maintain adequate reserves for retirement of special assessment debt through the maintenance of a special assessment guaranty fund at least 10% of outstanding special assessment debt.

Interfund Borrowing - The City will use interfund borrowing where such borrowing is cost effective to both the borrowing and the lending fund, and the funds will not be needed by the loaning fund during the term of the loan. Such borrowing shall implement Council directed policy in a simplified manner, such as borrowing associated with interim financing for local improvement district projects. A repayment plan should be approved along with the loan. The Mayor may approve loans for a term of one year. The Council must approve loans with terms longer than one year.

INVESTMENT POLICY

Investment Security & Earnings Maximization - An investment policy was implemented per Ordinance #3278 in 1996 which detail the City's investment guidelines. The primary objective is to preserve the principal of the investment portfolio while maximizing the portfolio's return.

FINANCIAL REPORTING

Reporting frequency - Monthly budget and actual reports will go to departments and a quarterly report will be presented to the City Council Operations Committee.

Annual Report - Will be completed within 180 days.

Reporting Improvements - The City will strive to continue to make improvements in its financial reporting scheme so that information available to the public, the City's governing bodies and other city departments is the best available for sound financial decisions.

Bondholders' Report - The City will prepare an annual report to bondholders.

FINANCIAL POLICIES

Full Disclosure – All public reports will contain full and complete disclosure of all material matters.

Financial Trend Monitoring - The City will develop a program to evaluate its financial condition and establish a system for correcting any deficiencies noted.

Annual Audits - The City will assist the State Auditor's Office in whatever way possible in conjunction with the preparation of the annual audit, and will implement modifications identified by the State Auditor to improve the City's internal control and financial practices.

Updates to These Policies – The Operations Committee of the City Council shall review these policies at least every four years. It is recommended that the review is done biennially during the budget process.

Accounting

Generally Accepted Accounting Principles - The City will maintain its position as a leader in producing financial reports in conformance with generally accepted accounting principles and pronouncements by the Governmental Accounting Standards Board.

Basis of Accounting - The basis for accounting for the general fund, special revenue, debt service, capital projects and agency funds is modified accrual. Modified accrual recognizes revenues when they become both measurable and available to finance expenditures of the current period. The basis of accounting for the enterprise, internal service funds and pension trust fund is full accrual. The appropriate basis is used throughout the budgeting, accounting and reporting processes, with few exceptions as noted below. Full accrual is a method of accounting that matches revenues and expenses with the period to which they relate, rather than focusing on actual cash flows. In this method, for example, an asset is depreciated as it is "used up", and the expense is recognized in periodic increments, rather than assuming the asset holds its value until it is actually disposed of. However, since the focus in budgeting is on the revenues and expendable accounts, depreciation and amortization are not considered budgetary accounts, and are excluded from the budgeting system. Likewise, debt service and capital expenditures are presented as the payments occur, departing from GAAP in this regard, in the budget document. Also, Trust and Agency Funds that may not be expended for governmental operations are excluded from this budget document.

The presentation of the program budget departs from the basis of the legal budget by eliminating inter city transactions and allocating the net increases or decreases from internal services to the using programs. This is done to give the user a more complete picture of the total costs of the operating programs.

BUDGET AND ACCOUNTING STRUCTURE

The City of Kent, as all governmental units, 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. Within each fund type there may exist one or more individual funds. The City of Kent operates with 26 individual funds. The fund types are listed below under their three major subheadings.

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, licenses and permits, state shared revenues, charges for services and interest income. Primary expenditures are for general City administration, police and fire protection, engineering and planning services, park and street maintenance, and cultural and recreational services.

The General Fund "buys" services from the Internal Service Funds: fuel and rental of vehicles from the Equipment Rental 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. Costs are allocated to all funds in an effort to distribute accounting, budgeting, legal and human resource services as well as street, engineering and park services. General Fund also transfers funds for minor 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 and community development block grant funds. The major portion of these resources is transferred to other funds for debt retirement, capital acquisition and specific purposes operations.

Taxes and grants are collected in the Street Fund, LEOFF1 Retirees Fund, Lodging Tax Fund, Youth Teen Programs Fund, Capital Improvement Fund, Criminal Justice Fund, Community Development Block Grant Fund, Other Operating Projects Fund, and the Kent Events Center Operating Fund. Transfers from the Street and Capital Improvement Funds are primarily to the Capital Project Funds or the LTGO Debt Service Fund.

BUDGET AND ACCOUNTING 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 three 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 Equipment Rental 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.

BUDGET AND ACCOUNTING STRUCTURE

FUND/PURPOSE

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 Equipment Rental and Fire Equipment Replacement, Central Service, Facilities Maintenance and Planning, and Insurance Funds provide centrally administered services then generate revenue by billing the organization to which the service is provided.

RELATIONSHIP TO OTHER FUNDS

Centralizes costs for equipment rental, central services 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.

BUDGET AND SPENDING CONTROL SYSTEM

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.

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 basis of accounting, when presented by fund.

The City must adopt its annual budget by December of the preceding fiscal year. This usually follows six 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 in analysis 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 is included to the level of projected available resources after the establishment of sufficient fund balances.

After the preliminary budget document is prepared, the City Council spends approximately one month reviewing it. Public meetings are held to gather public input. 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, but a final budget adjustment ordinance covering all approved changes is adopted at year end or the beginning of the next year.