

2013-2014 Biennial Budget



SECTION E

General Fund Summary

Final Budget

GENERAL FUND

Revenues

The General Fund is used to account for general purpose revenues, which are used to fund general governmental services, excluding utilities. Following are descriptions of the City's major revenue sources accompanied by historical tables and graphs.



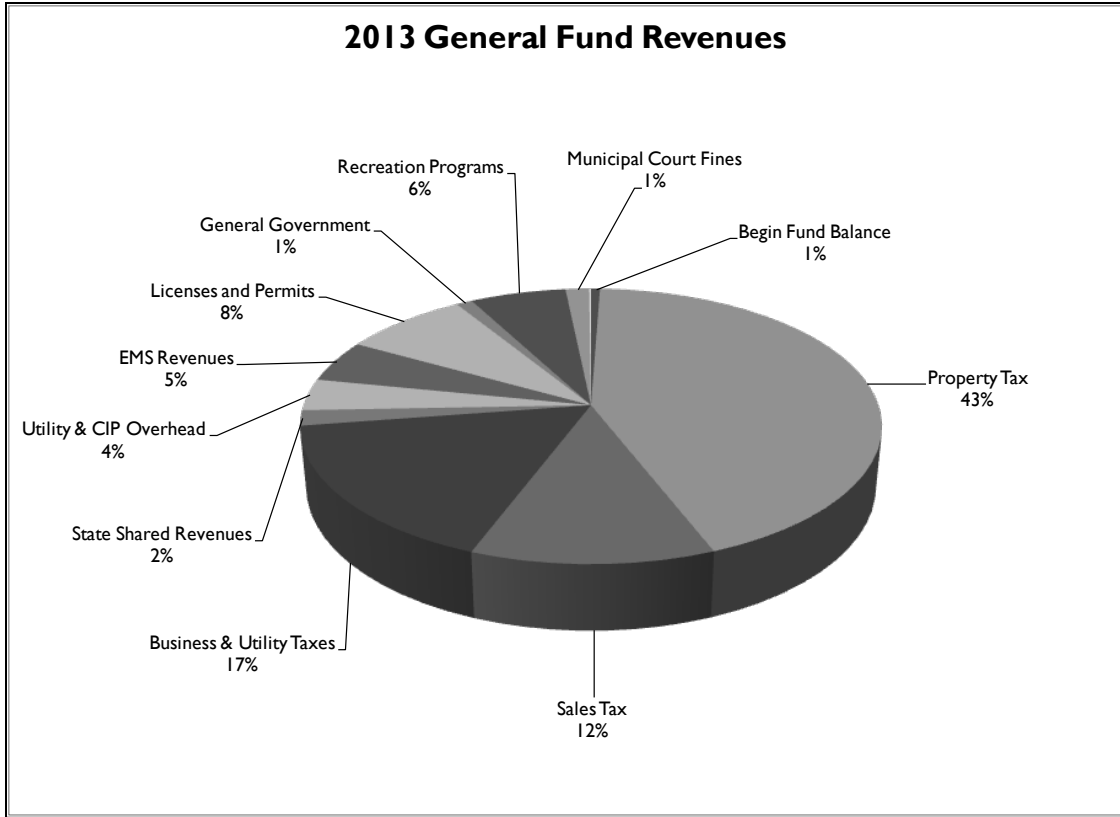
General Fund

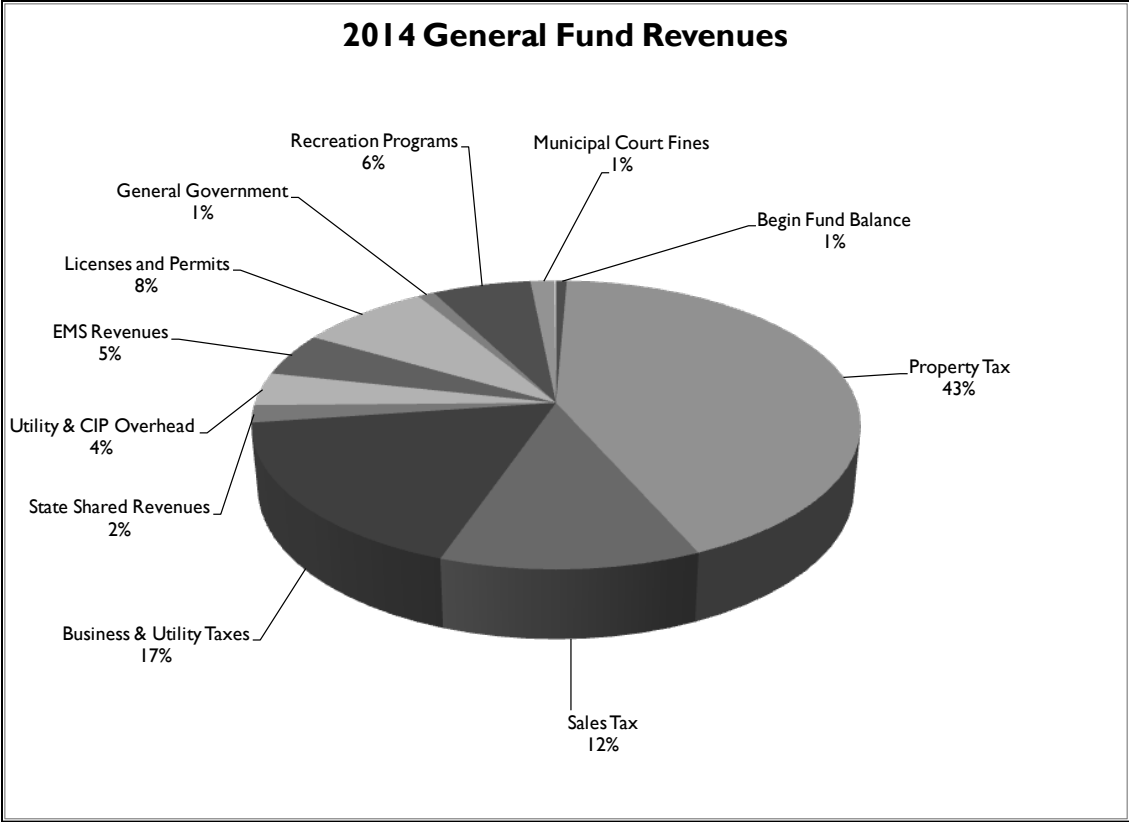
Revenue Summary

There are four major revenues that comprise 80% of the 2013-2014 General Fund budget: property tax, sales tax, business and utility taxes, and license and permit fees. The table below breaks down General Fund revenues by category for 2011-2014. Following that is a graph depicting the percentage of each revenue source relative to the total amount budgeted in each year of the biennium.

Description	2011	2012	2013	2014	Percent Change	
	Actual	Forecast	Budget	Budget	12-13	13-14
RESOURCES						
Budgeted						
Beginning Fund Balance	\$ -	\$ 396,448	\$ 157,899	\$ 149,742	-60.2%	-5.2%
Property Tax	10,123,128	10,368,695	10,575,166	10,808,701	2.0%	2.2%
Sales Tax	2,591,039	2,775,000	2,889,000	3,061,000	4.1%	6.0%
Business & Utility Taxes	3,477,156	3,543,000	4,070,629	4,403,629	14.9%	8.2%
State Shared Revenues	599,375	477,069	438,050	492,075	-8.2%	12.3%
Utility & CIP Overhead	868,129	908,833	900,645	937,132	-0.9%	4.1%
EMS Revenues	957,747	1,098,450	1,206,019	1,233,289	9.8%	2.3%
License and Permit Fees	1,865,547	1,797,720	1,960,310	2,028,310	9.0%	3.5%
General Government	248,876	271,800	253,000	260,000	-6.9%	2.8%
Recreation Program Fees	1,374,983	1,414,281	1,505,773	1,538,465	6.5%	2.2%
Municipal Court Fines	407,764	387,000	371,000	371,000	-4.1%	0.0%
Interest	18,962	16,800	2,000	2,000	-88.1%	0.0%
Interfund Transfers In	1,736,243	604,409	11,000	11,000	-98.2%	0.0%
Total Budgeted Resources	\$ 24,268,949	\$ 24,059,505	\$ 24,340,491	\$ 25,296,343	1.2%	3.9%
Not Budgeted						
Beginning Fund Balance (Reserved)	2,328,233	2,659,450	2,672,991	2,523,249	0.5%	-5.6%
TOTAL RESOURCES	\$ 26,597,182	\$ 26,718,955	\$ 27,013,482	\$ 27,819,592	1.1%	3.0%

General Fund





General Fund

Property Tax

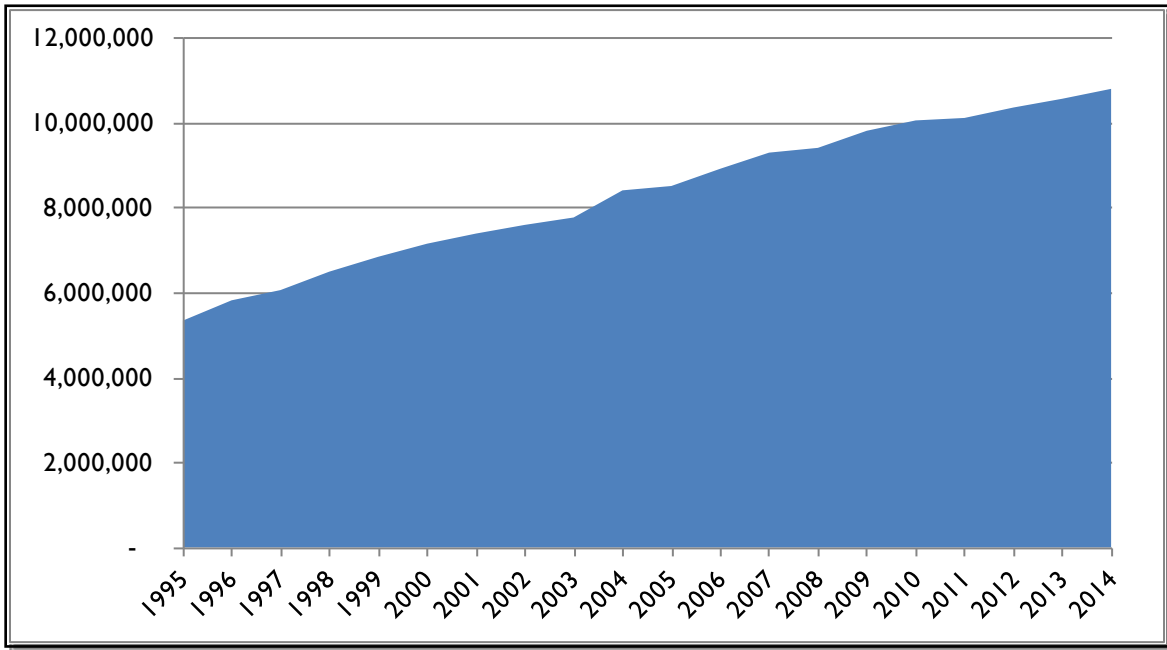
Property tax plays an essential role in financing the general government operations of the City of Mercer Island, accounting for 43% of total General Fund budgeted resources in 2013-2014. In 2013, Mercer Island property owners will pay a total of \$10,575,166 in property taxes to support general government operations in the General Fund.

There are two types of property tax collected by the City: regular levy and voter approved levy. The regular levy portion may be used for any purpose that the City deems appropriate. In Mercer Island, as in most cities, the property tax levy primarily supports the General Fund, which is where most of the City’s general government operations are budgeted and accounted for. Voter approved levies are for specific purposes, such as funding new park capital improvements or park operations and maintenance, and may not be used for any purpose other than what the voters approved. For information about the voter approved taxes levied by the City, see the Property Tax policy in Section C (Budget Policies).

Each November, as required by Washington State law, the City Council sets the property tax levy for the coming year. Up until November 1997, this levy was restricted to a maximum of 106 percent of the previous year's levy plus the amount associated with “new construction” (i.e. additions to the property tax rolls). However, in 1997, the Washington State Legislature passed Referendum 47 on to the voters of the state who in turn approved it by a 60% majority. This referendum set a limit on property tax increases of the *lesser of 106% or the rate of inflation, whichever was less*. In 2001, Initiative 747 passed in the State which further changed the property tax law, limiting the property tax levy to a maximum of 101% of the previous year’s levy or the rate of inflation, whichever is less. Since the rate of inflation is normally above 1%, the effective limit on the property tax levy increase will normally be 1%. The initiative also allows higher property tax increases if approved by the voters, a provision that was already in the statutes. Beginning in 1995, before the state law was changed, the Council decided to begin ramping down the property tax increases by 0.5% per year, with the goal of eventually matching the inflation rate. The Council reached that goal in 1999. Below is a table and chart of the General Fund property tax revenues since 1995, including the 2013-2014 budgeted amounts.

Year	Amount	% Change	Year	Amount	% Change
1995	\$ 5,344,355	0.0%	2005	\$ 8,518,954	1.2%
1996	5,824,072	9.0%	2006	8,925,023	4.8%
1997	6,065,315	4.1%	2007	9,305,222	4.3%
1998	6,500,000	7.2%	2008	9,418,055	1.2%
1999	6,849,930	5.4%	2009	9,820,771	4.3%
2000	7,158,934	4.5%	2010	10,064,568	2.5%
2001	7,397,242	3.3%	2011	10,123,128	0.6%
2002	7,602,108	2.8%	2012	10,368,695	2.4%
2003	7,776,612	2.3%	2013	10,575,166	2.0%
2004	8,416,000	8.2%	2014	10,808,701	2.2%

Property Tax Revenues: 1995-2014



Sales Tax

Until 2000, sales tax revenue was made up of two components—regular sales tax and "sales tax equalization". Combined, these revenues accounted for about 16% of the 1999 General Fund budget. In 1999, however, an initiative changed the law and the City no longer receives sales tax equalization (see discussion below). Sales tax revenue is estimated to be almost 12% of total budgeted resources in 2013-2014.

- **Sales and Use Tax:** Cities and towns are authorized under 1970 state law to levy a sales and use tax of one-half cent per dollar. In 1982, the State authorized an additional half-cent sales and use tax for cities and towns. Mercer Island levies the full amount allowed (i.e. one cent per dollar).
- **Sales Tax Equalization:** The law that provided for "Sales Tax Equalization" went into effect in 1983. The purpose of sales tax equalization was to provide a means for guaranteeing a minimum amount of sales tax to each city and town in Washington. That allowed cities with little commercial activity to receive, through a combination of the sales tax it "earns" and equalization, at least 70 percent of the statewide average per capita sales tax. The amount of sales tax equalization each city received was computed on their prior year's sales tax receipts. In 1999, however, Initiative 695 was passed by the voters which eliminated the Motor Vehicle Excise Tax, which was the source of funds for the distribution of sales tax equalization dollars. The effect of the initiative was to bring Mercer Island's total "sales tax" receipts back to the same level they had been in 1987. This change resulted in a loss of about \$1,000,000 in revenue per year.

As illustrated in the chart that follows, the City's sales tax, even with equalization, was very uneven and fairly unpredictable. Because of the uncertainty of equalization and the economy during the mid-1990's, the City has historically used a very conservative figure for predicting sales tax during each biennial

General Fund

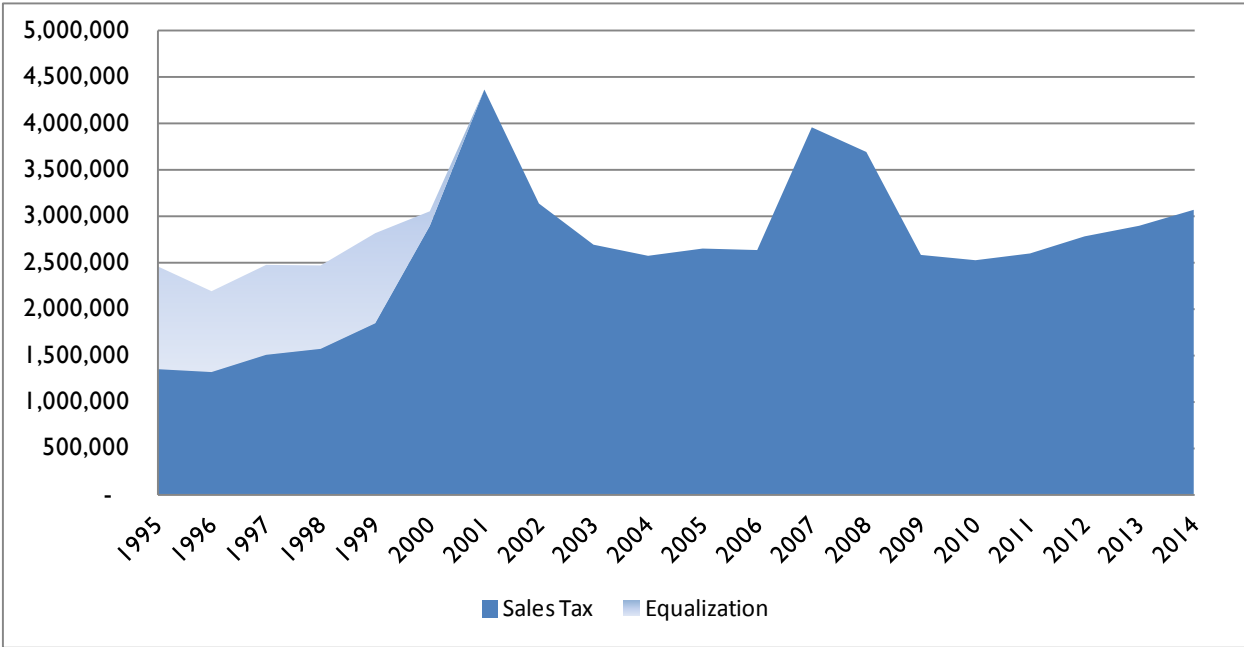
budget. This conservative approach helped the City weather the demise of the sales tax equalization revenue.

After a 30.1% decline in 2009 followed by a 2.2% decline in 2010, sales tax receipts increased 2.9% in 2011 and are project to increase 7.1% in 2012. Looking forward, construction-related sales tax, which makes up about 38% of total sales tax receipts, began to pick up significantly in the second half of 2012 and is projected to continue to grow in the 2013-2014 biennium. Development activity in the Town Center is the primary driver, which is addressed below in the License, Permit, and Zoning Fees section. The 2013-2014 sales tax forecast is primarily based on the two mixed use projects currently underway in the Town Center.

Following is a table and chart containing actual sales tax revenues for 1995-2011 and projected revenues for 2012-2014, broken down into “regular” sales tax and “equalization” components.

Year	Sales Tax	Equalization	Total	% Change	Year	Sales Tax	Equalization	Total	% Change
1995	\$ 1,352,936	\$ 1,107,887	\$ 2,460,823		2005	\$ 2,643,672	\$ -	\$ 2,643,672	3.0%
1996	1,321,582	868,634	2,190,216	-11.0%	2006	2,627,513	-	2,627,513	-0.6%
1997	1,506,579	966,245	2,472,824	12.9%	2007	3,949,552	-	3,949,552	50.3%
1998	1,570,792	896,194	2,466,986	-0.2%	2008	3,683,977	-	3,683,977	-6.7%
1999	1,845,161	968,395	2,813,556	14.0%	2009	2,574,993	-	2,574,993	-30.1%
2000	2,890,410	158,178	3,048,588	8.4%	2010	2,518,000	-	2,518,000	-2.2%
2001	4,356,551	-	4,356,551	42.9%	2011	2,591,039	-	2,591,039	2.9%
2002	3,128,841	-	3,128,841	-28.2%	2012	2,775,000	-	2,775,000	7.1%
2003	2,685,252	-	2,685,252	-14.2%	2013	2,889,000	-	2,889,000	4.1%
2004	2,565,501	-	2,565,501	-4.5%	2014	3,061,000	-	3,061,000	6.0%

Sales Tax and Equalization Receipts: 1995-2014



Utility Taxes

This revenue category comprises about 17% of total budgeted resources in 2013-2014. The City charges a tax on the gross receipts of the public and private utilities doing business on Mercer Island. Cities are limited by state law to charging no more than 6% on electric power, gas, and telephone utilities. Puget Sound Energy, US West (Qwest), AT&T, and a variety of small long distance carriers are subject to a 6% tax rate. Two other major utilities, Eastside Disposal and Comcast Cable, are subject to a 7% tax rate. Because Mercer Island has had a low housing growth rate, revenue growth from utility taxes is highly dependent on utility rate increases and weather conditions that affect the use of gas and electric heat.

In 2010, the City implemented a water utility tax of 1.7% to offset the fire hydrant related costs that had previously been funded by water utility rates. This shift in funding sources was driven by a Washington State Supreme Court ruling in Lane vs. City of Seattle in which the Court said that “providing fire hydrants is a government responsibility for which the general government of the area must pay.” In other words, according to the Court, fire hydrant costs must be funded by taxpayers in the General Fund rather than by ratepayers in the Water Utility Fund. Relative to 2012, the adopted 2013-2014 Budget includes the following utility tax increases on the City’s three utilities.

City Utility	2013	2014
Water	1.7% in 2012 + 2.2% in 2013 = 3.9%	3.9% in 2013 + 1.4% in 2014 = 5.3%
Sewer	0.0% in 2012 + 3.9% in 2013 = 3.9%	3.9% in 2013 + 1.4% in 2014 = 5.3%
Storm Water	0.0% in 2012 + 3.9% in 2013 = 3.9%	3.9% in 2013 + 1.4% in 2014 = 5.3%

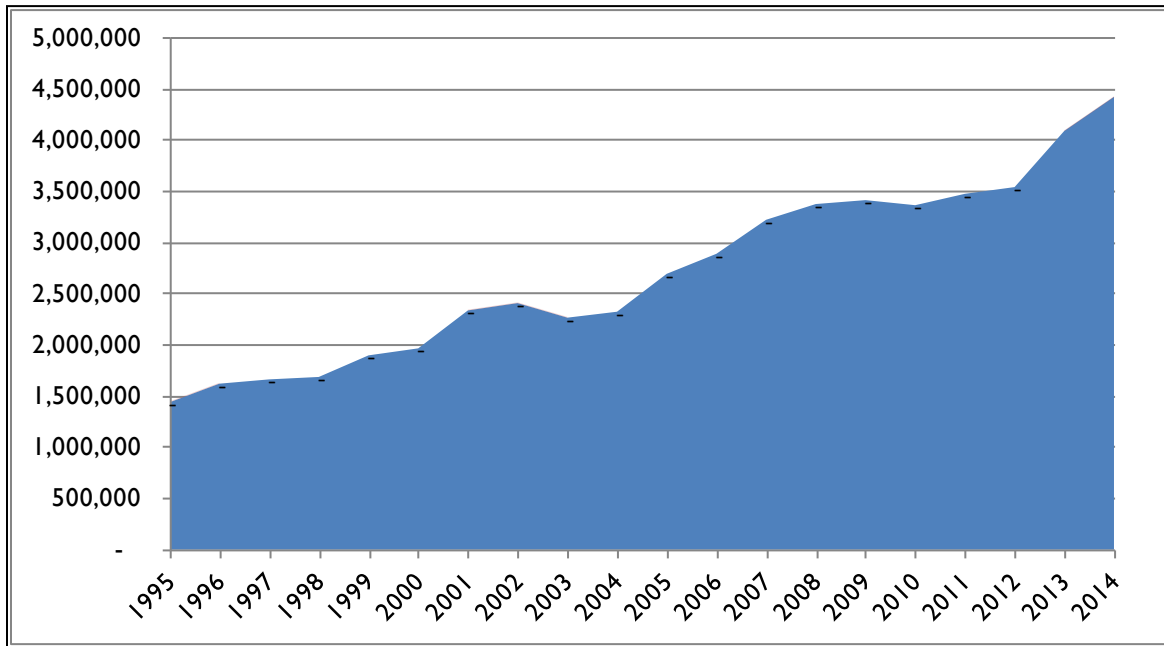
In 2013, a 3.9% utility tax applies to the City’s water, sewer, and storm water utilities. Then in 2014, the utility tax will increase to 5.3%. These utility tax increases will generate additional revenue of \$425,000 in 2013 and \$625,000 in 2014, which are the amounts needed to balance the General Fund budget in those years.

Following is a table and chart containing actual utility tax revenues for 1995-2011 and projected revenues for 2012-2014.

Year	Amount	% Change	Year	Amount	% Change
1995	\$ 1,440,317		2005	\$ 2,695,376	15.9%
1996	1,621,931	12.6%	2006	2,891,000	7.3%
1997	1,663,792	2.6%	2007	3,223,613	11.5%
1998	1,687,617	1.4%	2008	3,377,374	4.8%
1999	1,898,546	12.5%	2009	3,415,597	1.1%
2000	1,967,000	3.6%	2010	3,366,000	-1.5%
2001	2,337,863	18.9%	2011	3,477,156	3.3%
2002	2,409,176	3.1%	2012	3,543,000	1.9%
2003	2,266,915	-5.9%	2013	4,070,629	14.9%
2004	2,325,000	3.1%	2014	4,403,629	8.2%

General Fund

Utility Taxes: 1995-2014



Shared Revenues

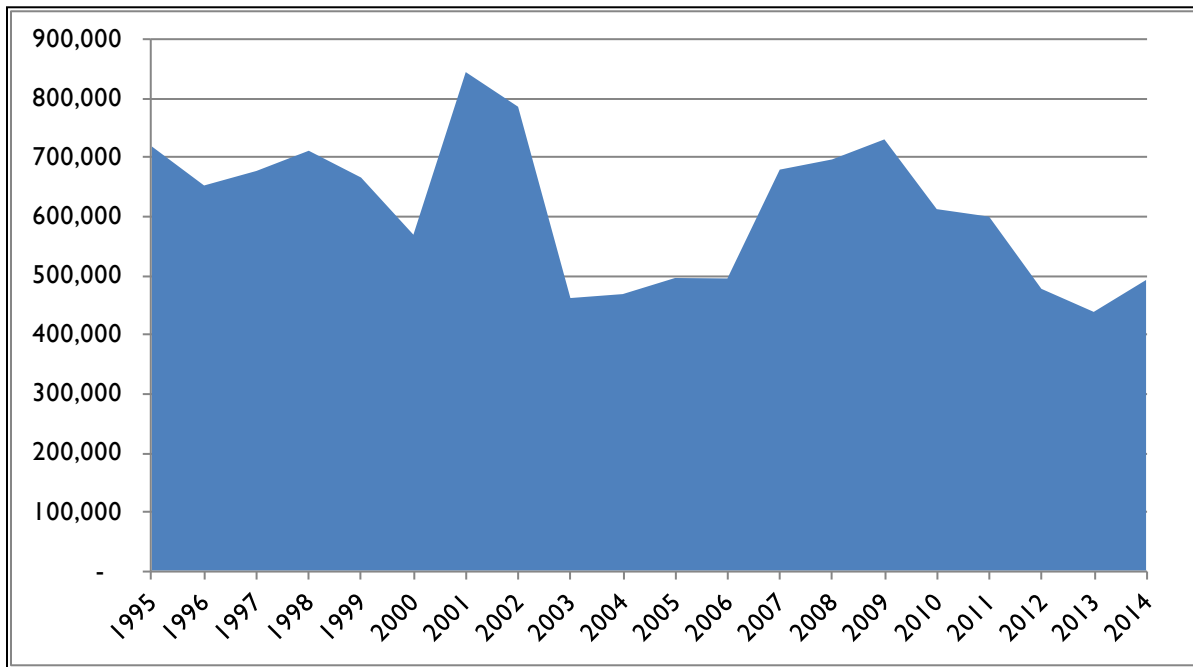
This revenue category consists of both State shared revenues as well as grants and other revenues from King County and the Federal Government. It comprises about 2% of total budgeted resources in 2013-2014. Below is a brief description of each of the major components.

- **Liquor Excise Tax and Liquor Profits** – Initiative 1183 was approved by Washington's voters in November 2011 thereby "privatizing" the retail sales of spirits and ending the state's monopoly on liquor sales. The initiative ended the previous liquor profits and excise taxes from which the City received approximately \$269,000 per year and replaced them with a license fee which should equal liquor profits and excise tax revenues by 2014. Locally, City staff estimate a net reduction in liquor-related revenues of \$50,000 in 2013 (over 2011 levels) and \$0 in 2014.
- **Marine Patrol Revenues** – Revenue for marine patrol services provided by Mercer Island is included in this category and comes from two sources. First, the City receives revenue from the cities that contract with the Mercer Island Police Department for marine patrol services. Second, Mercer Island receives a portion of the vessel registration fees collected by the State of Washington and passed on to the City through King County. Marine patrol revenues are projected to be flat in 2013-2014.
- **Grants** – Sources of grant revenue include federal grants, state grants, and local grants. Typically, these monies are one-time funding sources for specific purposes.

Following is a table and chart containing actual shared revenues for 1995-2011 and projected shared revenues for 2012-2014.

Year	Amount	% Change	Year	Amount	% Change
1995	\$ 718,302		2005	\$495,451	5.8%
1996	652,101	-9.2%	2006	494,660	-0.2%
1997	676,706	3.8%	2007	678,936	37.3%
1998	710,930	5.1%	2008	696,208	2.5%
1999	665,536	-6.4%	2009	730,173	4.9%
2000	568,743	-14.5%	2010	612,046	-16.2%
2001	844,115	48.4%	2011	599,375	-2.1%
2002	785,431	-7.0%	2012	477,069	-20.4%
2003	461,495	-41.2%	2013	438,050	-8.2%
2004	468,182	1.4%	2014	492,075	12.3%

Shared Revenues: 1995-2014



License, Permit, and Zoning Fees

Licenses, permits, and zoning fees represent about 8.0% of total budgeted resources in 2013-2014. This revenue category consists of all fees related to development, cable franchises, and business licenses. As noted above in the Sales Tax section, development activity has increased significantly in the second half of 2012. Along with a 17% increase in single family residential development (as measured by the number of building permits issued through August 2012), there are two significant mixed use projects currently in progress: 1) Aviara (redevelopment of the old Safeway site), which commenced framing in May 2012;

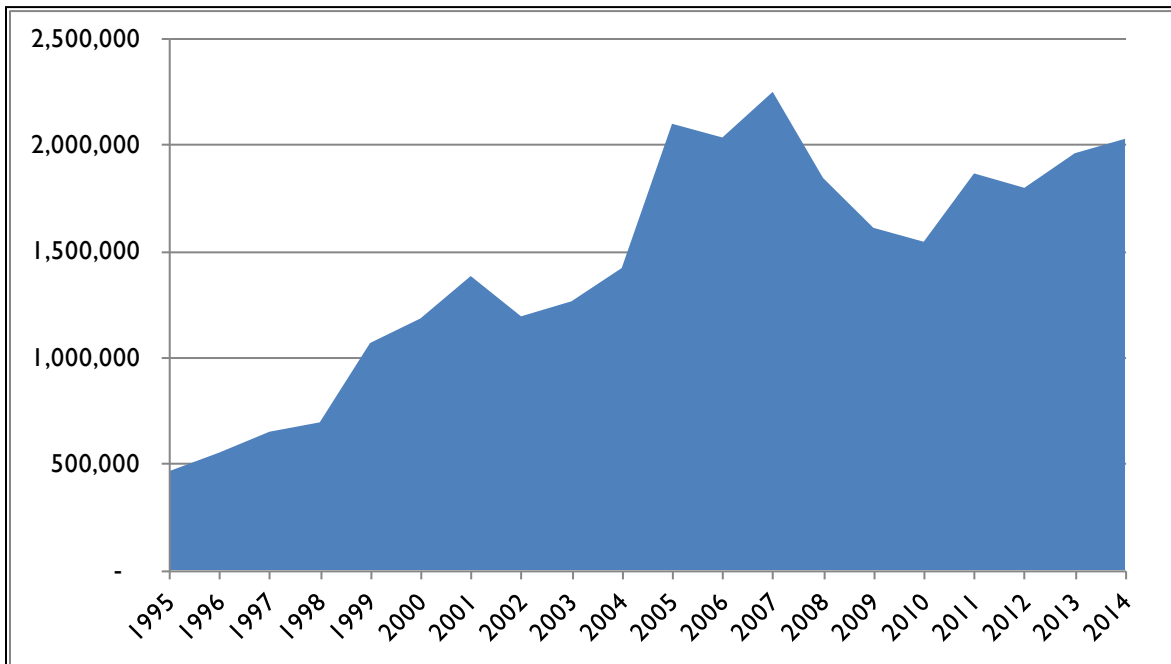
General Fund

and 2) The Mercer Phase II, which broke ground in August 2012. In addition, other developers have been talking to DSG staff about the redevelopment of 3 other sites in the Town Center. Development permit fees projections for 2013-2014 are conservatively based on a more modest increase in single family residential development and the two current mixed use projects in the Town Center.

Cable franchise fees are projected to grow 5% annually in 2013-2014, and business license fees are projected to be flat. Following is a table and chart containing actual license, permit, and zoning fees for 1995-2011 and projected fees for 2012-2014.

Year	Amount	% Change	Year	Amount	% Change
1995	\$ 464,478		2005	\$ 2,098,943	47.8%
1996	552,463	18.9%	2006	2,034,500	-3.1%
1997	650,711	17.8%	2007	2,249,083	10.5%
1998	694,865	6.8%	2008	1,844,201	-18.0%
1999	1,068,026	53.7%	2009	1,609,719	-12.7%
2000	1,183,300	10.8%	2010	1,544,225	-4.1%
2001	1,382,951	16.9%	2011	1,865,547	20.8%
2002	1,193,398	-13.7%	2012	1,797,720	-3.6%
2003	1,263,956	5.9%	2013	1,960,310	9.0%
2004	1,420,500	12.4%	2014	2,028,310	3.5%

License, Permit & Zoning Fees: 1995-2014



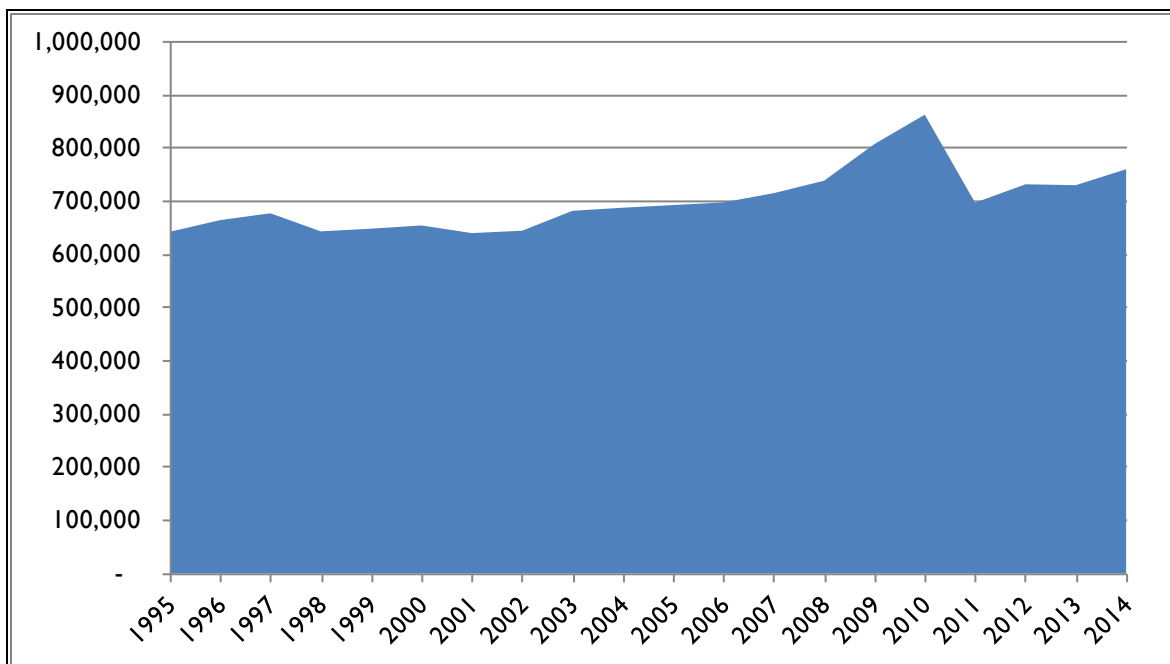
Utility Overhead Charges

Utility overhead charges make up about 3% of total budgeted resources in 2013-2014. These charges include administrative support costs, building maintenance costs (for the Maintenance Center and City Hall), and liability and property insurance costs which are initially paid for by the General Fund. They are accounted for as interfund charges by the General Fund to the each of the City’s Utility Funds (Water, Sewer, and Storm Water). The administrative support component of the charges encompasses a specified percentage of the City Manager’s Office, the City Attorney’s Office, the Finance Department, the Human Resources Department, and the City Council’s budget. Additional information regarding these interfund charges is provided in the Utility Overhead Charges policy in Section C (Budget Policies). Prior to 1995, staff project engineering time was included in the utility overhead charge rather than charged directly to the capital projects of each utility, which is what happens currently. From 1995 to 2010, the average annual growth was only 2.0%. For the 2011-2012 biennium, the model was updated and some allocation methods were changed, resulting in a 19.2% decrease in the total charges from 2010 to 2011. The slight decrease in 2013 (-0.2%) is directly related to a significant decrease in the City’s liability insurance assessment, which is driven mostly by the City’s improved utility claims experience. Following is a table and chart containing actual utility overhead charges for 1995-2011 and projected charges for 2012-2014.

Year	Amount	% Change	Year	Amount	% Change
1995	\$ 643,180		2005	\$ 693,571	0.7%
1996	665,180	3.4%	2006	698,532	0.7%
1997	678,080	1.9%	2007	716,000	2.5%
1998	644,004	-5.0%	2008	739,400	3.3%
1999	649,072	0.8%	2009	808,500	9.3%
2000	655,192	0.9%	2010	863,800	6.8%
2001	640,779	-2.2%	2011	698,017	-19.2%
2002	645,186	0.7%	2012	732,683	5.0%
2003	682,727	5.8%	2013	726,545	-0.8%
2004	688,565	0.9%	2014	756,151	4.1%

Water & Sewer Utility Overhead Charges: 1995-2014

General Fund



All Other Revenues

All the remaining revenue categories comprise about 15% of the total budgeted resources in 2013-2014. Following is a brief description of the remaining revenue categories.

- **Interfund Transfers In** – This category includes amounts transferred in from other funds in support of General Fund operating expenditures.
- **Emergency Medical Service (EMS) Revenues** – Beginning in 1990, the City began receiving a portion of the 25 cent property tax levy that was voted on by the citizens for 911 emergency service. At that time, the City reduced its EMS fee so that Mercer Island taxpayers would pay roughly the same as they did before the new law. In 1996, when the City decided to add 4 new firefighters because of the high volume of aid calls, the fee was increased to help pay for that enhanced level of service.
- **Recreation Programs** – This category includes the fees that are charged for recreation programs offered by the City as well as fees charged at the Community Center. The fee structure now in place recovers about 45% of the cost of those programs. See the Parks & Recreation Financing policy in Section C (Budget Policies) for more information.
- **Ambulance Transport Fee** – Beginning March 2011, the Fire Department began charging a fee for transporting patients requiring non-emergency, basic life support to hospitals. The fee is used to support EMS services provided by the Fire Department.
- **Interest** – The money of the City is pooled for investment purposes and allocated to various funds per the Investment Earnings policy in Section C (Budget Policies).
- **Beginning Fund Balance** – This consists of several reserves (revenue stabilization, emergency, and LEOFF I long-term care), surplus revenues and expenditure savings from a prior year (when they occur), and dedicated funding for one-time costs and expenditure carryovers.

GENERAL FUND

Expenditures

The General Fund is the general operating fund of the City and encompasses the following major activities, excluding utilities: fire and police services, street and park maintenance, development services, court services, recreation services, legal services, financial services, and general administration. In this section, the expenditures are shown by major functional category.



General Fund

Budget Analysis

A summary analysis follows comparing the 2012 Approved Budget to the 2013-2014 Final Budget, broken down by year, with “Other Significant Changes,” “Service Enhancements,” and “Service Reductions” separately identified for 2013 and 2014.

2013 Analysis	Budget	% Change 2012-2013
2012 Approved Budget	23,888,065	
Plus 2013 General Inflationary Increases	-	0.0%
Plus (Less) 2013 Other Significant Changes:		
Salary and benefits (as compared to 2012 budget)	778,931	
NORCOM (Police and Fire dispatching)	115,023	
Restore transfer to Technology & Equipment Fund	100,000	
Miscellaneous professional services	50,000	
IT operations and maintenance	46,702	
Merchant fees (credit card processing fees)	30,150	
Fleet costs	18,261	
LEOFFI retiree costs (Firefighter LEOFF Trust premiums)	(27,470)	
Patrol overtime	(27,976)	
Revised ILA with MISD for elementary field maintenance	(45,000)	
Unrepresented employee salary savings (no pay for performance in 2013)	(60,000)	
Adjust Allocation of General Fund FTE to CIP Project Management	(97,658)	
Other operating costs	(106,555)	
WCIA liability insurance premiums	(131,422)	
Prior year one-time costs & carryovers	(298,513)	
Subtotal	344,473	1.4%
2013 Base Budget	24,232,538	1.4%
Plus 2013 Service Enhancements:		
Total one-time costs	13,000	
Total ongoing costs	223,733	
Subtotal	236,733	
Less 2013 Service Reductions:		
Total one-time savings	(85,679)	
Total ongoing savings	(43,101)	
Subtotal	(128,780)	-0.5%
2013 Final Budget	24,340,491	1.9%

General Fund

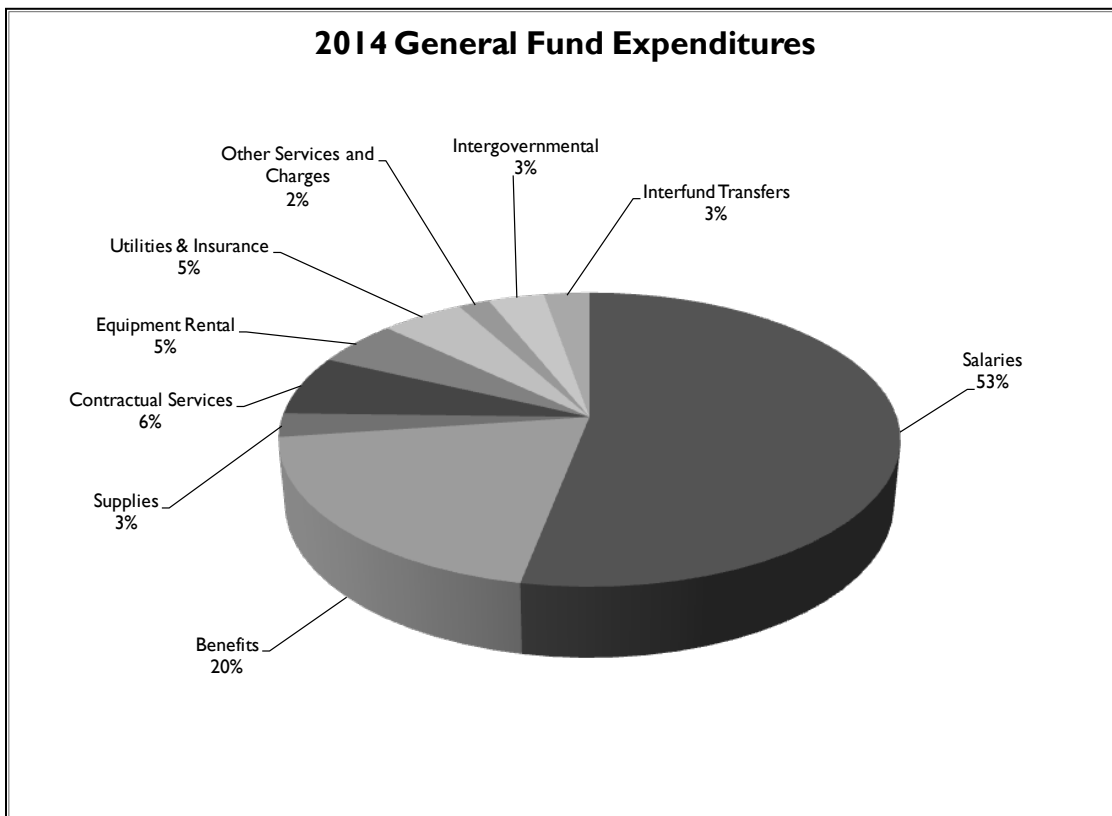
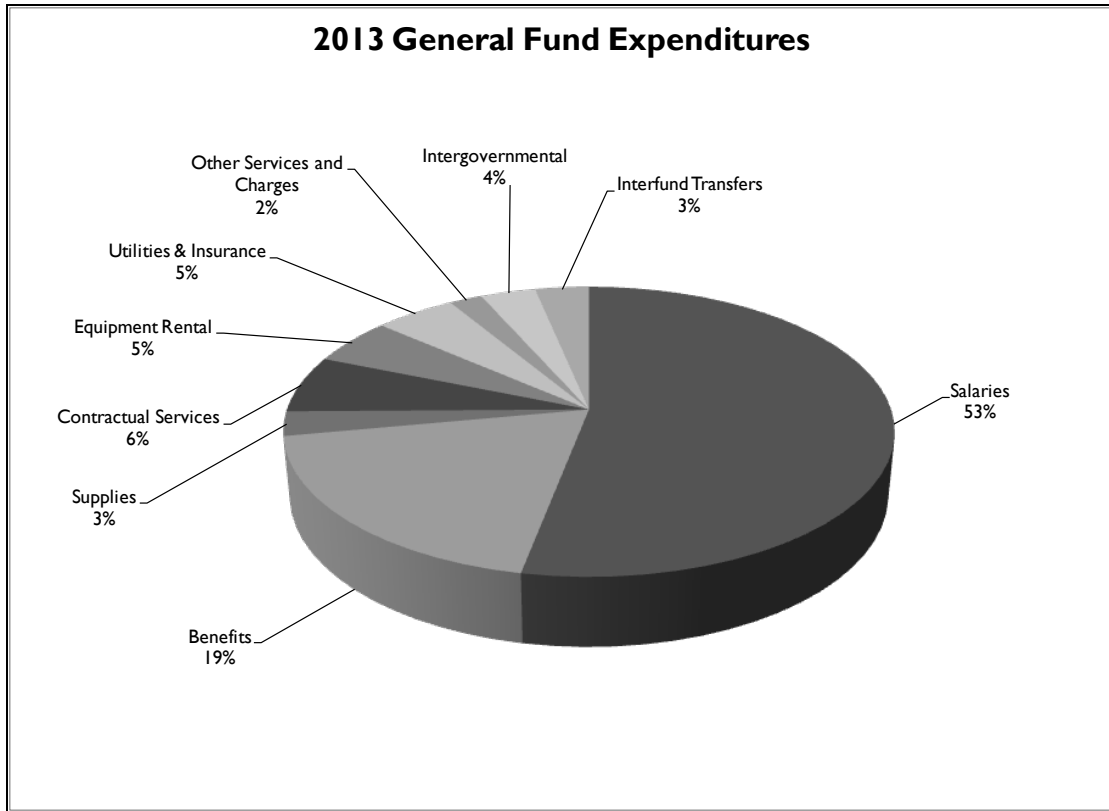
2014 Analysis	Budget	% Change 2013-2014
2013 Final Budget	24,340,491	
Plus 2014 General Inflationary Increases	955,035	3.9%
Plus (Less) 2014 Other Significant Changes:		
Reduce General Fund support of YFS Fund	(120,000)	
NORCOM - Police and Fire dispatching	28,317	
LEOFFI actuarial study	22,500	
EMS rate study	15,000	
Subtotal	(54,183)	-0.2%
2014 Base Budget	25,241,343	3.7%
Plus 2014 Service Enhancements:		
Total one-time costs	70,000	
Total ongoing costs	-	
Subtotal	70,000	0.3%
Less 2014 Service Reductions:		
Total ongoing savings	(15,000)	
Subtotal	(15,000)	-0.1%
2014 Final Budget	25,296,343	3.9%

Expenditure Summary

Presented in the table below are expenditures by category for 2011-2014, followed by two pie charts depicting the percentage of each category relative to total budgeted expenditures in 2013 and 2014.

Description	2011	2012	2013	2014	Percent Change	
	Actual	Forecast	Budget	Budget	12-13	13-14
USES						
Budgeted						
Salaries	12,131,885	12,664,443	12,915,975	13,421,760	2.0%	3.9%
Benefits	4,086,843	4,272,965	4,628,304	4,998,644	8.3%	8.0%
Supplies	585,128	664,956	662,067	657,977	-0.4%	-0.6%
Contractual Services	1,524,047	1,682,726	1,545,768	1,662,523	-8.1%	7.6%
Equipment Rental	1,194,793	1,220,658	1,261,708	1,268,466	3.4%	0.5%
Utilities & Insurance	1,293,216	1,342,371	1,211,119	1,260,473	-9.8%	4.1%
Other Services and Charges	472,801	559,305	490,949	479,549	-12.2%	-2.3%
Intergovernmental	791,364	773,704	822,064	853,814	6.3%	3.9%
Interfund Transfers	1,461,207	706,937	802,537	693,137	13.5%	-13.6%
Total Budgeted Expenditures	\$ 23,541,284	\$ 23,888,064	\$ 24,340,491	\$ 25,296,343	1.9%	3.9%
Not Budgeted						
Ending Fund Balance	3,055,898	2,830,890	2,672,991	2,523,249	-5.6%	-5.6%
TOTAL USES	\$26,597,182	\$26,718,954	\$27,013,482	\$27,819,592	1.1%	3.0%

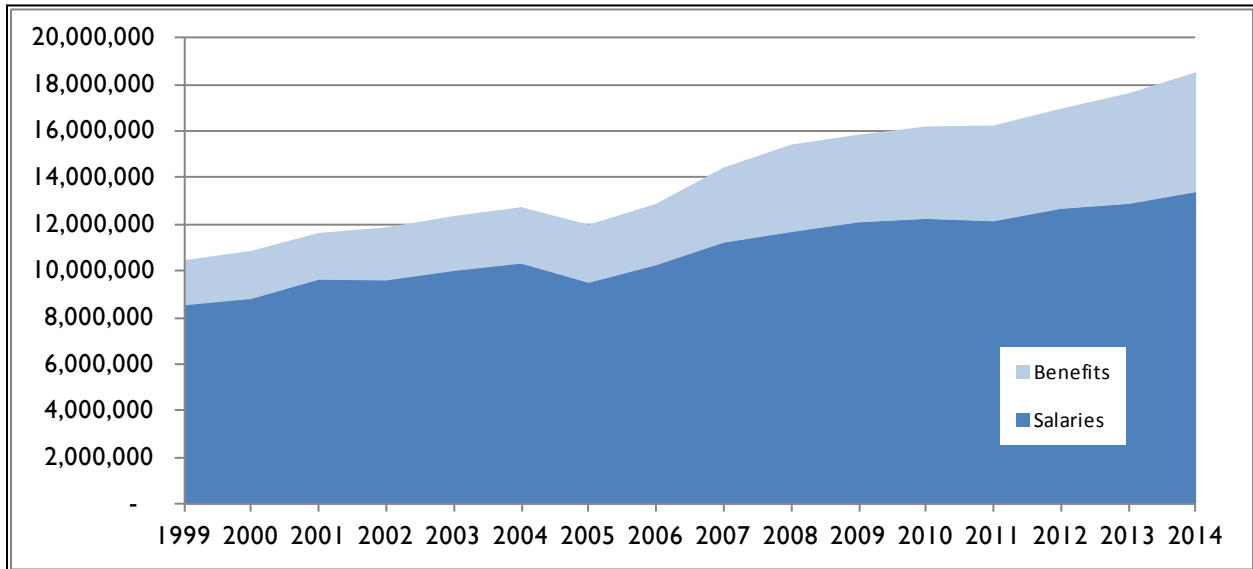
General Fund



Salaries and Benefits

The largest expenditure categories are salaries and benefits, which together comprise 73% of the 2013-2014 Budget. Annual salary increases are driven by annual cost of living and step increases bargained by the City’s unions, which cover about 65% of all City employees. Included in the salary category are permanent full-time and part-time employees, contract employees, and casual labor used by the Maintenance and Parks & Recreation Departments. General Fund salaries and benefits are budgeted at a total cost of \$17.5 million in 2013 and \$18.4 million in 2014. The \$251,532 budgeted increase in 2013 salaries is attributable to the net impact of the following: 1) 2013 COLA of 2.61-2.90% (depending on the bargaining unit); 2) annual step increases included in the City’s labor contracts; 3) no pay for performance for Unrepresented employees in 2013; 4) 1.38 FTE decrease in the General Fund; and leaving a Right of Way maintenance position vacant for two years. The \$355,339 budgeted increase in 2013 benefits is driven by the following: 1) an increase in the PERS (Public Employee Retirement System) contribution rate required of public employers from 7.21% to 9.19% on July 1, 2013; 2) 5-8% projected increase in medical insurance premiums; and 3) a significant increase in the medical and dental coverage provided to employee spouses and dependents due to marriages and new children being born (medical and dental benefits are budgeted very close to actual costs). See the Long Term Compensation policy in Section C (Budget Policies) for more information.

Salary and Benefit Costs: 1995-2014



Supplies

The supplies category includes most office, operating, and maintenance items that employees need to fulfill their job responsibilities. Common examples include paper, printer and copier toner, cleaning supplies, fuel and oil, sand, gravel and fertilizer. As a percentage of total budgeted expenditures this category has consistently hovered around 3.0%. This trend continues in the 2013-2014 Budget.

General Fund

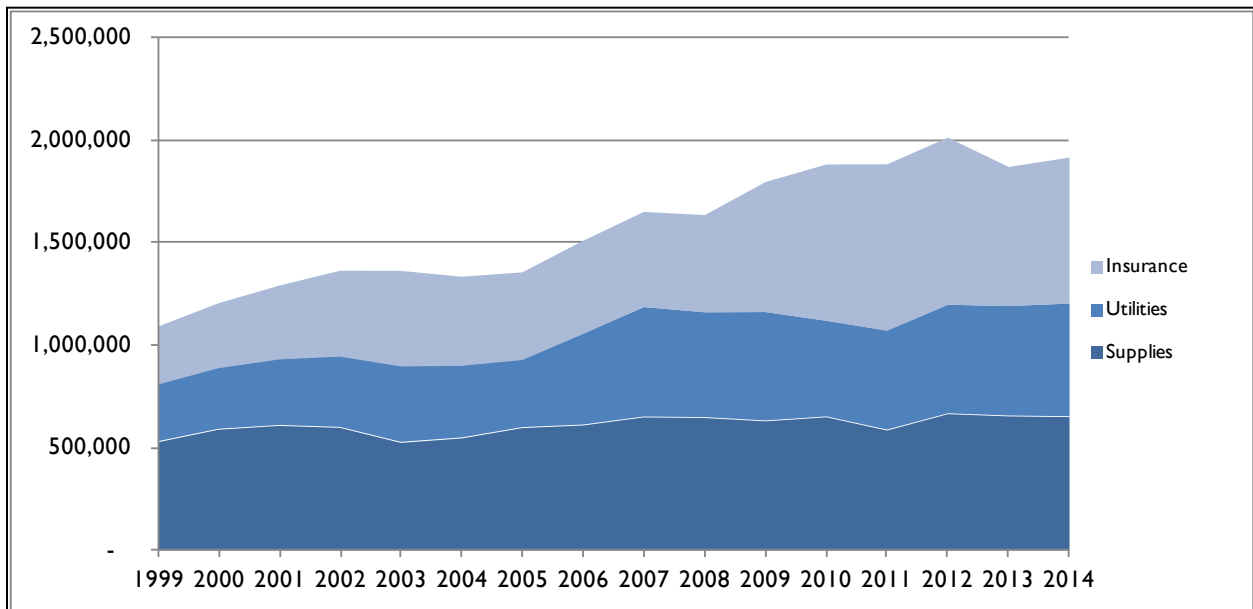
Utilities

The utilities category includes all the major utility costs—water, sewer, storm water, electricity and gas. Also included is the cost of dumping waste (e.g. from excavations and cleaning of ditches). For 2013, the following utility rate increases are included in the budget: 4.3% for water, 7.4% for sewer, 1.2% for storm water, 5% for electricity, and 5% for gas. Given these significant rate increases, the City continues to promote conservation efforts by all departments.

Insurance

The City buys all liability and property insurance through the Washington Cities Insurance Authority (WCIA). WCIA is mostly self insured for liability purposes and has been building a cash reserve from the member cities over the past 10 years to help keep premium costs down and to provide a higher amount of liability coverage. Liability insurance premiums are based on a combination of the number of worker hours and the City’s actual liability claims experience over the past 5 years.

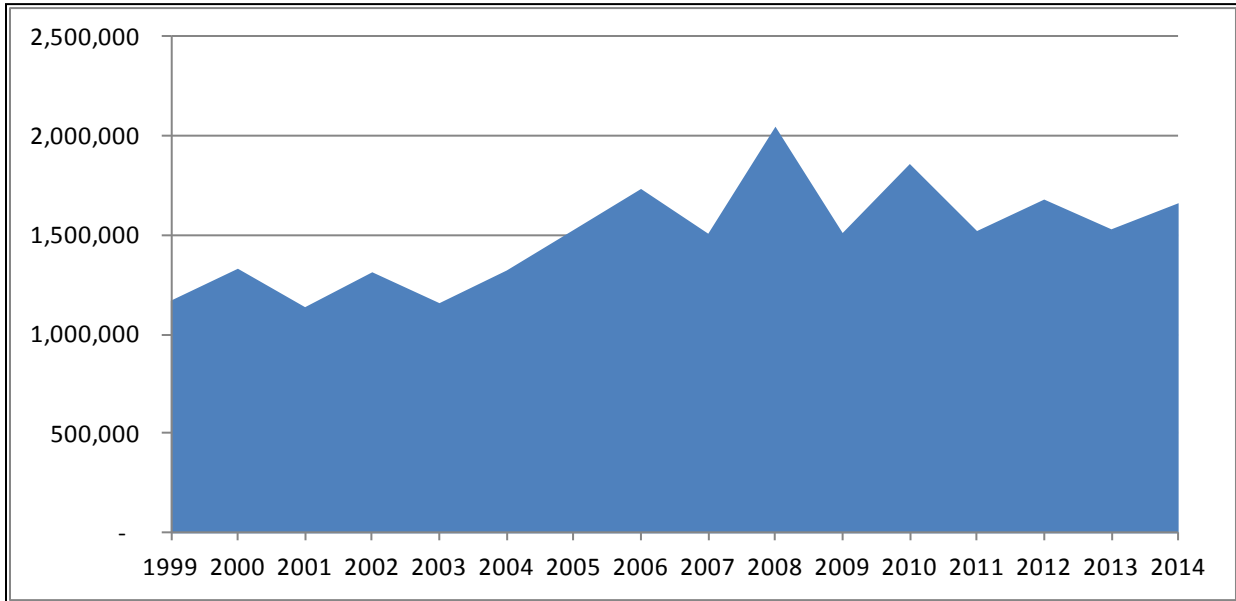
Supplies, Utilities, and Insurance Costs: 1995-2014



Contractual Services

This category includes all the individuals and firms with which the city contracts for services. Included are the following: consultants, landscaping services, janitorial services, outside legal services, and recreational class instructors. Below is a graph of contracted services expenditures for the period 1997-2014.

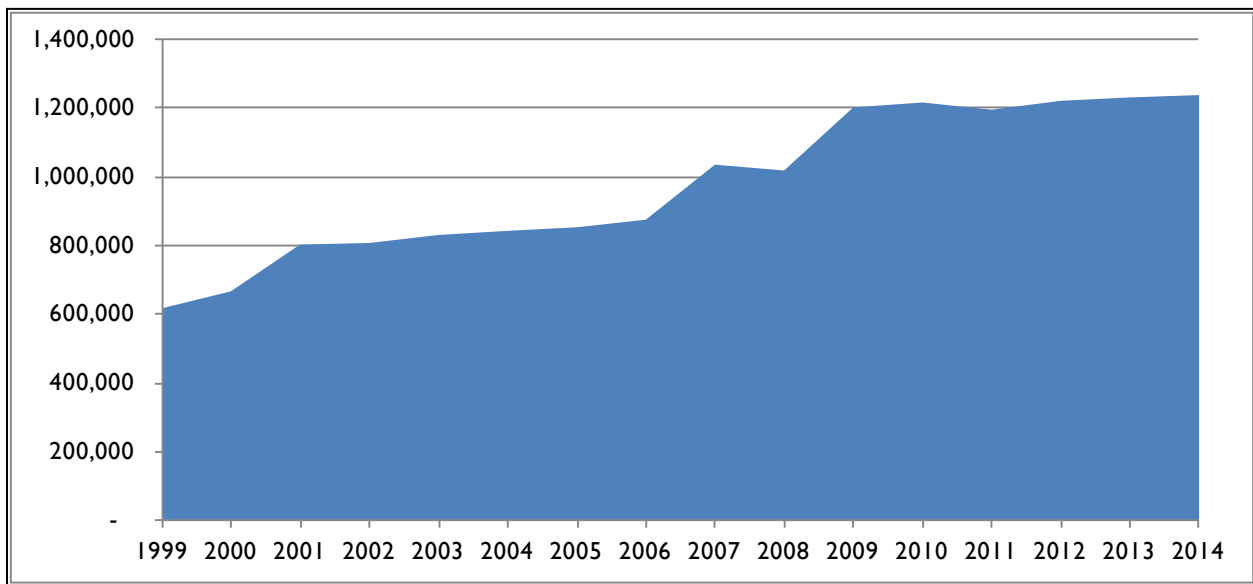
Contractual Services: 1999-2014



Equipment Rental

This category includes "rental and replacement charges" assessed to each department by the Equipment Rental Fund for the City's vehicle fleet and by the Computer Equipment Fund for the City's computers. Replacement cost, useful life, salvage value, and department needs are assessed biennially when the rates are established. See the Reserves—Equipment Replacement policy in Section C (Budget Policies) for more information.

Equipment Rental: 1999-2014



General Fund

Other Services and Charges

This category consists of a variety of miscellaneous payments, including advertising, printing, travel, communications, postage, subscriptions, tuition and registrations, election costs, copying, and miscellaneous charges.

Intergovernmental

This category includes charges for services from other governmental agencies. Examples include mandatory contributions to the King County Alcoholism program and Puget Sound Clean Air Agency and voluntary payments in support of regional associations. Expenditures in this category have typically been quite modest with small increases from year to year.

Interfund Transfers

Interfund transfers consist of two types: 1) transfers to fund ongoing costs/programs; and 2) transfers to fund significant one-time operating or capital costs. Transfers for ongoing costs/programs are ultimately funded by the general revenues of the City. Transfers for one-time operating or capital costs are funded by the General Fund's prior year's surplus, which is generated by excess revenues over what was budgeted and expenditure savings. The disposition of the prior year's surplus is usually finalized by the Council in June.

There are two long standing, ongoing annual transfers budgeted again in 2013-2014: 1) a \$250,000 transfer to the Technology & Equipment Fund to support the City's technology projects and to fund the purchase of larger pieces of equipment that are outside the scope of departmental budgets; and 2) a \$320,000 transfer in 2013, reduced to \$200,000 in 2014, to the Youth & Family Services Fund to help support ongoing program costs. See the YFS Financing policy in Section C (Budget Policies) for more information.