

TABLE OF CONTENTS

BUDGET FRAMEWORK

47	Budget Calendar
48	Financial Philosophies & Strategies
52	Budget and General Fiscal Policies



2021-2022 Biennial Budget Calendar

Major Steps in Budget Preparation	State Law Deadlines	Puyallup Schedule
Finance develops baseline budget – operating revenues and expenditures / estimated funding available for capital.		May – June
Finance Director sends Budget Instructions to departments.		July 6, 2020
Budget Initiatives due to Finance Director		July 29, 2020
6-Year Capital Plan due to Finance Director.		August 12, 2020
City Manager and Finance Director review proposed operating budgets with department directors.		August 10 – 19, 2020
City manager and Finance Director review proposed 6-year capital plan with department directors.		August 24 – 26, 2020
Preliminary Budget decisions due from City Manager.		September 9, 2020
LTAC and Community Funding recommendations due to Finance.		September 16, 2020
Preliminary Budget		
City Manager presents preliminary budget to legislative body.	No later than the first Monday in October	October 1, 2020
City Manager prepares proposed budget and budget message and files with City Council and City Clerk.	At least 60 days before the ensuing year	October 1, 2020
Preliminary budget made available to the public.	Not later than 6 weeks before Jan 1	October 1, 2020
City Clerk publishes notice that the preliminary budget has been filed.		October 8, 2020
City Council study sessions on the budget.	Prior to the final hearing	October 13, 2020 October 14, 2020 October 15, 2020
Hearings and Adoption		
City Clerk publishes notice of public hearing on final budget once a week for two consecutive weeks.	Published no later than the first two weeks in November	October 23, 2020 October 30, 2020
Public Hearings Revenue Sources, including possible property tax increase. Preliminary Budget	Prior to voting on Property Tax Levy On or before 1st Monday of December	November 10, 2020 November 10, 2020
Property Tax Levy First Reading Second Reading	After the public hearing and prior to Pierce County certified levy deadline	November 10, 2020 November 17, 2020
Budget Adoption First Reading Second Reading	After the public hearing and prior to the beginning of the fiscal year	November 10, 2020 November 17, 2020
File certified property tax levy with Pierce County	By November 25, 2020	
Submit adopted budget to MRSC and SAO	After adoption	After November 17, 2020

Financial Management Philosophies & Strategies

Since 2008 financial management and recommendations to Council have been focused on reaching and ensuring an ongoing and sustainable structural balance. A structural balance is when the continuing recurring revenues are sufficient to cover the continuing recurring expenditures. In its simplest form, it is basically “living within our means.”

Guiding strategic elements include:

- ◆ Bias toward conservative revenue estimates
- ◆ Monthly Monitoring of operating results
- ◆ Long range planning
- ◆ Maintaining flexibility
- ◆ Building reserves and increasing liquidity

Conservative Estimates

The term conservative is very subjective. An analyst can present a wide range of estimates that can be described as conservative, depending on the assumptions made. In Puyallup, for the General fund in particular, this has been defined and dictated by Council policy beginning with the 2011 budget. For budgeting purposes, general fund revenues for the upcoming budget year are generally limited to the lower of the last two full years’ actual receipts, by line item, except as provided in the Budget Stability Policy. So, for example, for the 2019 budget, Building Permits are budgeted at \$1,019,220, equal to the 2017 actual, which is lower than the \$1,104,497 actual receipt in 2018, and higher than the estimated \$832,832 for 2019. One of the major reasons for this method is to clearly identify and exclude the impacts of one time short term spikes in revenues. A revenue increase has to continue for over two years to be considered a sustainable trend. Modeling has indicated that this method will normally produce significant revenues in excess of budget that, combined with under-expenditure of budgets typically result in surplus of two to four million dollars per year. Basic operating programs and debt service are classified as “Tier 1” expenditures, and are limited by policy to the revenues generated by this conservative method of budgeting.

Routine recurring operating capital such as vehicle and computer replacements are classified as Tier 2. Together these are budgeted at \$1 million from a portion of the expected excess funds, but will only be spent to the extent the excess is in fact realized.

Further surpluses above the level used by Tier 2 goes to Tier 3 items – one time capital improvements and building fund balances.

This method of determining budgeted revenues also means that the revenue budget for the next year can be closely estimated as early as January or February the year before. This allows plenty of time to begin adjusting expenditures when necessary if budgets appear to be declining or tight.

Monthly Monitoring

Each month, typically within about 10 business days, financial summary reports are generated for the City Council, City Manager and citizens that show year to date results of operations excluding budgeted transfers. The reports are normally posted to the public web site. Additionally, typically for March through December, the Finance department prepares estimates of the year end results based on three year trend analysis by line

Financial Management Philosophies & Strategies

item for internal use. These are also summarized and reviewed at fund level by Finance, to stay abreast of changing economic conditions.

Policy indicates that when it is clear that revenues will not support a transfer to the capital plan the next year, City management should begin selective hiring or allow attrition to reduce expenditures as necessary, to bring the budget back into structural balance. If necessary, the Tier 2 expenditures would be reduced or eliminated for capital spending the following year. If that is not sufficient, the Council may allow for some draw down of fund balance to reduce the impact on Tier 1 basic operating programs.

Long Range Planning

Financial planning is done from a long term perspective. For operating budgets, the constraints of the Budget Stability policy means that the city will limit operating expenditures to those supported by sustainable revenues. Structural balance is a primary goal. As indicated in the General Fund 10 year Operations Forecast, expected revenue growth is somewhat less than the combined effects of population growth and inflation. That means that program expenditures will necessarily grow at a rate slightly less than half of the rate of population growth. Long term that will essentially require a combination of increasing efficiencies and adjusting levels of service. The city's tax base is diverse and stable. However, sales taxes are subject to the variations of the economic cycle.

Long range planning is also used to solve long term problems such as infrastructure repair and replacement and other capital improvements. A six year capital plan is included in the budget document. The current budget year is based on current available revenues. Utility and tax rates are set with the long term needs considered. The six year CIP looks like a wish list because state grant opportunities are usually tied to projects that are identified in the Comprehensive Plan. Because of that, the six year plan is in essence overstated. In practice, actual spending will be limited each year to available resources. Projects that are dependent on grants that have not been awarded simply will not be done at that time.

Long term problems also include routine operating capital replacement – such as vehicles and computer systems, building maintenance and funding of pension and retiree healthcare liabilities. Recommendations to Council have typically used an incremental approach to these solutions when possible. For example, utility rates and system development charges have been indexed by Council ordinance to the Engineering News Record Construction Cost index, to ensure that the utility rates keep pace with the increasing costs of construction.

Likewise, for both the Firemen's Pension and the LEOFF1 Retiree Healthcare obligations, a financial plan is provided in the budget document based on small annual increases as necessary in the operating transfers from the General Fund. Increases are planned each year until projections indicate no further increases are necessary. This approach works well for these two liabilities because both are closed groups. Indeed, the transfer for the LEOFF1 Retirees Healthcare appears to already be at the maximum needed, and the maximum for Fire Pension is was attained in 2019. Expenditures for each of these two programs will continue to increase for a few years then begin to decline as the number of beneficiaries decreases.

The Lifecycle Repair and Replacement program allocates funds in the baseline budget for routine repair and replacements over time. The baseline budget provides \$1.1 million for Tier 1 Street Maintenance projects.

Financial Management Philosophies & Strategies

Also included is funding for picnic tables, benches and garbage receptacle replacements, as well as monies for parking lots and trails asphalt overlays and seal coats. The Facility Maintenance fund has a baseline of \$360,500 for appropriate projects, with the expectation that a 10 year plan will be developed. Likewise, the Information Technology fund includes funding in the baseline budget for lifecycle repair and replacement, based on a 10 year plan. Additionally, monies are set aside for the future replacement of radios when necessary, as described in more detail below.

Equipment rental funding considers the needs over a 10 year replacement cycle. Targeted fund balance is the next two years' replacement needs. A similar approach currently being developed for information technology needs and also for facility life cycle repair and replacements.

Healthcare rates are budgeted to work toward a goal of reaching and maintaining the maximum target reserves in two or three years. Maximum target reserves is six months of claims.

Maintaining Flexibility and Increasing Liquidity

This element of financial management philosophy has led to establishing the LEOFF1 Retiree Healthcare fund as a subfund of the General Fund and accepting the "unfunded" status rather than setting it up as an irrevocable Trust fund. This avoids creating new rights for the beneficiaries and allows the Council flexibility in the use of any cash balance should it become necessary.

Likewise, major capital projects are not begun until the city's share of funding has already been collected and allocated to the specific project. Projects are prioritized at the beginning of the year and available resources are transferred to specific projects as the resources come in. This avoids overspending based on overly optimistic revenue assumptions. It also generally ensures a significant level of cash balances as resources are collected for the various projects. This provides liquidity and flexibility to handle emergency situations through the deferral of projects where significant contracts have not yet been awarded.

The debt policy addresses this element in a couple ways. Cash funding of projects where practical again provides for cash accumulation before spending. Voter approved bonds that also provide for the revenue stream to pay for the bonds is an exception to the cash funding rule. Requiring bonds to normally be issued on a level payment basis provides for increasing flexibility as earlier bond issues are paid off and the annual requirements for debt service are reduced.

In the Budget Stability policy Council has directed that amounts previously allocated to debt service should be redirected to cash funding of infrastructure projects. Accordingly the City is moving toward a pay as you go basis for capital projects. **ALL** of the remaining existing debt will be paid off by year end 2028. This increases stability and flexibility while in the long term also reducing costs for our citizens and rate payers. Bondholders will normally expect returns that exceed the rate of expected inflation, so in the long term projects are less expensive when funded by cash. Further, cash funding eliminates any debt coverage requirements that might be imposed by revenue bond covenants, helping to keep utility rates relatively low.

Consistent with the debt-to-cash funding direction, the 2019 budget increases Radio Replacement Reserves in a sub fund of the General Fund. This fund is intended to capture the reductions in debt service requirements from the bonds issued for the 800 MHZ Radio project. The reductions in debt service come

Financial Management Philosophies & Strategies

from earlier refunding efforts that have defeased some of these bonds. The savings are retained to be used for the future replacement of radios as the need arises. This provides for an orderly replacement process with no further strain on the operating funds.

Target General fund reserves is a minimum of 8% and maximum of 15% of ongoing recurring revenues. This balance is intended to provide for cyclical cash flow needs and to provide a cushion for emergency needs that Council can choose to use if warranted. The operation of the budget stability policy will normally provide for an ending cash balance well above the budgeted ending balance. Tier 3 excess revenues and under spending are left in the General Fund at year to be transferred the next year. Because these are allocated to one time optional programs or projects they can easily be deferred or eliminated early in the year if current trends indicate a need to do so.

Finally, flexibility is further strengthened by the large amounts of unused tax authority the Council could tap if necessary. Banked property tax authority exceeds \$3 million per year. Additional utility tax authority of 3.8% could also increase annual tax revenues in excess of three million dollars. Lastly, the City could choose to enact a business and occupation tax that could also generate several million dollars per year.

Policies

Budget Stability Policy

General Fund operating budgets shall be based on Core Revenues as estimated by the Finance Department. To reduce volatility related to temporary conditions and business cycles, revenue estimates will be developed at line item level, generally the minimum of the last two full years' known amounts. Sales tax minimums shall be inflated by 3% per year. Property taxes will be based on the actual levy amounts. Budgets should reflect known tax rate changes and conservatively estimate any new revenue sources.

Tier 1 Expenditures - Budgets for Core Services will be limited to the amounts provided by the core revenues. Core services include the non-capital portion of the operating programs funded in the General Fund, along with transfers for debt service. \$1.1 million for annual street maintenance contracts are included in the Tier 1 priority.

Tier 2 Expenditures - Modeling has shown this method to produce very conservative revenue estimates, with actual revenues typically exceeding the core estimates by two to four million dollars. Accordingly, the budgets should also include a second level of funding for ongoing capital needs. Contingent revenues and expenditures will be budgeted to provide for the annual commitment for equipment replacement rates funded by our internal service funds. The contingent expenditures would be incurred typically at year end, only after sufficient revenues have been generated to support them.

Tier 3 Allocations - Revenues in excess of the core services and the contingent expenditures at year end will be allocated as follows:

One third will be applied to increasing the ending cash balance each year until the Council target of 15% is achieved. Two thirds will go toward pre-funding the next year's capital improvement plan. Capital improvement spending will be based on city revenues already received and available.

To minimize the need for tax and rate increases, funds previously allocated to debt service will be directed toward cash funding of infrastructure projects as debt issues are paid off.

In growing and recovering business cycles, this policy would ensure that expansion of core services does not exceed continuing, stable funding. In recessionary cycles the next year's capital plan would be automatically eliminated first and contingent expenditures second, before cash balances are reduced. This delayed usage of ending cash balance would help minimize impacts on core services.

Whenever it becomes clear that revenues are not sufficient to provide a transfer to the next year's capital improvement plan, a policy of selective hiring and/or early retirement incentive should be implemented. Reducing core services through attrition should be continued until an appropriate balance of revenues and expenditures is reached.

Council will be presented with options for the allocation of excess funds when availability is known.

Policies

Budget and General Fiscal Policies

The Budget Process

The Budget is balanced as required by State Law, that is, total uses do not exceed available resources. In the City of Puyallup, the budget process is a team effort with the City Council setting goals and priorities and each department proposing expenditure levels to meet those goals. Everyone works together to ensure total expenses are within available revenues and the appropriate level of funding is maintained.

The City uses a program level budget approach and uses that level of detail in the budget document. However, the budget is adopted by the City Council at the total fund level.

The process used by the City of Puyallup has evolved over the years to ensure timely and accurate submittals with the most efficiency possible. The underlying assumption is that generally current programs and service levels will be maintained with new programs meeting City Council goals and priorities. All estimates for existing programs and personnel and new programs are made by the operating departments in the summer and compiled to compare against the budget policies and goals. The City Manager's Recommended Budget is compiled for public input and Council review. Budget changes made by the Council are incorporated as the final budget is adopted after public input.

Capital Improvement/Project Budget

The City of Puyallup maintains a Capital Facilities Plan (CFP) which is reviewed and updated annually. A summary is included in the proposed budget document.

All capital improvements are identified in the capital facilities portion of the City's Comprehensive Plan. The capital improvements in the annual budget must be identified in the Capital Facilities Plan and properly funded or the Comprehensive Plan must be amended. This can only be done by the City Council in coordination with the annual budget process. The identification of capital projects is initiated by all departments, and the list of capital projects, after review by the City Manager, is presented to the City Council. The Council reviews the list, holds public hearings, and makes adjustments as deemed necessary. Approved and funded capital projects are then incorporated in the annual budget by fund.

Budget Adjustments

Budget adjustments are made periodically throughout the year when changes in a fund's appropriation are necessary. After careful analysis, the adjustment amount is determined. Transfers between programs within any one fund may be made by the City Manager. Any increase in the total appropriation in any fund requires City Council approval.

Basis of Accounting and Budgeting

In 2016 the City decided to move toward cash basis reporting for its budget and annual financial report to simplify the financial statements for most users and to reduce staff time and overall audit costs. It is also a much more conservative basis for budgeting because revenues that are still receivable at year end are not counted as available. Accordingly, beginning with the 2017 budget, the City's budget and financial statements are prepared in conformity with a cash basis, an "Other Comprehensive Basis of Accounting" as prescribed by the State Auditor's Office. Revenues are recognized when received, and expenditures are generally recognized when amounts are paid. An exception is that per State Law the City's books will remain open for 20 days after the end of the year for the payment of goods and services received in the prior year.

Policies

Investments

The City invests all cash surpluses with safety of principal as the primary concern, and to maximize interest earnings as a secondary priority. All investment decisions are based on safety assurances, liquidity requirements, and yield. The City of Puyallup investments may consist of Federal government obligations, repurchase agreements, certificates of deposit, and participation in the Washington State Local Government Investment Pool (LGIP).

Fixed Assets

The City of Puyallup maintains fixed asset records to identify and account for the long-lived assets of the City. Fixed assets include land, buildings, and machinery and equipment valued at \$5,000 or more with an expected life of at least two years.

Long-Term Debt

The City issues long-term debt to finance capital improvements that cannot be financed through current revenues and has never issued debt to cover current operating costs. The City's bond rating is AA (Standard & Poors) for the General Obligation debt, AA for Unlimited Tax General Obligations and AA for Utility Revenue Bonds.

Debt Policy

- Projects should be cash funded when practical.
- Usage of debt should be reserved for necessary projects, or for those that provide a greater return than the interest expense.
- The City should maintain sufficient debt capacity for exceptional opportunities.
- The City should normally issue debt in small increments on a level payment schedule.

Operating Reserve Policy – General Fund

Target ending General Fund Cash Balance will be 8 to 15% of operating revenues to provide for operational cash flow needs and a cushion for economic downturns. Funds in excess of 15% are transferred into the Budget Stability Reserves Fund for Tier 3 capital projects or to pay off outstanding liabilities. During economic downturns use of a portion of fund balance to help preserve levels of service may be considered by the Council.

Transportation Funding Policy

- Adequate levels of cash should be in hand before commencing major work.
- Impact fees can be used to repay debt incurred for capacity adding projects.
- Critical projects should be funded first from known City revenues.
- For planning purposes, "Necessary Other Funds Needed" may balance the capital plan. This allows for projects in the Comprehensive Plan that may qualify for future grants, when funds are currently not adequate to do the projects.
- The Street Fund may include all kinds of street projects.

Hotel/ Motel Tax Fund

Hotel/ Motel Tax fund budget is based on the previous year's tax revenue and should be allocated in this manner:

- 45% is subject to recommendation by the Lodging Tax Advisory Committee.
- The remainder is retained for Council allocation toward eligible Tourism related expenditures.

Policies

Equipment Rental and Replacement Fund

The Equipment Rental and Replacement Fund reserves target shall be the amount that will ensure that sufficient funds are available for the next two years' replacements over the course of a 10 year replacement schedule. Replacement rates are Tier 2 priority under the Budget Stability Policy.

Information and Technology and Communication (IT&C)

Information and Technology and Communication (IT&C) replacement rates are Tier 2 priority.

Healthcare Insurance Fund

The Healthcare Insurance Fund rates shall be planned to achieve the maximum targeted cash balance reserves in three or four years. Actuary recommends a rolling four to six months of claims.

Insurance Fund Reserves Target

Insurance Fund reserves target shall be set at 1.5 times the amount estimated for Incurred But Not Reported claims (IBNR).

LEOFF 1 Retiree Healthcare Fund

LEOFF1 Retiree Healthcare contributions are placed in an earmarked sub-fund of the General Fund. Budgeted transfers will be increased annually until the need declines.

Fire Relief and Pension Fund

The liability will be budgeted through gradual increases in transfers from the General Fund until the need declines.

Cost Sharing & Reimbursements

Cost allocation models are used to distribute some costs of indirect service functions. Indirect services are primarily support direct service departments (e.g. Police, Parks, Street Maintenance and Library). Specifically, the City Council, City Manager, Legal, Human Resources, City Clerk, and Finance are indirect service functions. Costs from selected Public Works or Development Services divisions, such as Building and Engineering, are also allocated. The amounts charged to non-general funds are shown as reimbursements against the indirect service. Custodial/Facilities Maintenance costs are accounted for in an internal service fund.

Fiscal Monitoring

Both revenue and expenditure/expense reports are available to department directors monthly. The reports are reviewed by management with a focus on financial evaluation and control. Monthly financial reports are submitted to the City Council in accordance with City policy and Washington State statutes to keep Council informed of the City's ongoing financial condition.

Policies

BUDGET AMENDMENT PROCESS

The City Council sets the maximum spending authority by Fund. The City Manager typically delegates the responsibility to the Directors at their department level within the Funds.

The City Council is advised of revenue or expenditure adjustments to the adopted budget throughout the year in regular Council meetings. A formal vote is taken at that time to document the approval. Periodically, staff brings forward a supplemental budget ordinance which gathers the previously approved items and any more current adjustments.

The budget amendment ordinance collects all budget changes throughout the previous period and classifies them by fund and by type. The five different types are:

1. Changes previously approved by Council. Nearly all necessary changes fall into this grouping. The documentation will include the date of Council approval.
2. Project carryforwards. These changes technically do not need to be approved again, because projects are considered to be "continuing budgets" and as such, are authorized until the project is complete. These changes itemize the unexpended portion of projects previously approved by Council and "rebudget" them in the current year. This is essentially a matter of convenience and transparency.
3. Project Transfers. These technically fall within the City Manager's authority to transfer budgets between programs within funds, and do not need to be presented to Council. We detail these changes as a matter of transparency. It is not unusual for some projects to come in under budget while others to come in over budget. We think it is important for the Council to know about these changes.
4. Technical Adjustments. While these have not been formally approved by Council, they are consistent with previous direction and are essentially corrections based on new or improved information or calculations. Corrections to the cost allocation model would be an example, or adjustments based on actual grant or interlocal contracts.
5. Other changes that have not been brought to Council earlier, but again are consistent with prior Council direction. An example might be a change to authorize the spending of a donation that has been received for a particular purpose. There should be very few or none of these. These do require Council approval to authorize the increased expenditure in the designated fund.

Because the changes in the budget amendment ordinance will almost always be previously authorized by Council, the budget amendment ordinance should normally be routine "housekeeping."

The process we have been using for years is very efficient and it saves a great deal of time for Council, Legal and Finance staff. It has the added benefit of simplifying the State Auditor's review for budgetary compliance issues.

Policies

GENERAL FUND: The City of Puyallup's General Fund includes all financial transactions which are not properly accounted for in other funds. It is the largest accounting entity in the City and provides for most of the general government operations. The major resource to the Fund is general tax revenue. Licenses and permits, charges for services, and fines and forfeits provide support as well.

- ◆ **Budget Stability Reserves Fund:** This fund was established to account for the reserves set aside by the budget stability policy, for the payoff of debt and for cash funding tax supported capital projects.
- ◆ **Radio Replacement Fund:** Established in 2018, a sub-fund of the General Fund, to provide funds for the replacement of the City's emergency radios.
- ◆ **Donations to Puyallup Fund:** This fund was established to account for funds donated to the City of Puyallup, including those that are raised by the Senior Center and allocated by the Senior Advisory Board.
- ◆ **LEOFF I Retiree Benefits Fund:** Established to account for LEOFF I Retiree Healthcare Benefits.
- ◆ **Firemen's Pension Fund:** Accounts for the retirement benefits of the fire fighters (and beneficiaries) who were employed prior to March 1, 1970. Fire insurance premium tax, interest income, and a transfer in from the General Fund, are the funding sources.

SPECIAL REVENUE FUNDS: Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- ◆ **Seizure and Forfeiture Fund:** Established in accordance with RCW 69.50.505 for the purpose of depositing seized and forfeited property and monies resulting from law enforcement activities. Expenditures are limited by law to first provide for expenses directly related to the seizure; remaining funds are distributed as set forth in RCW 69.50.505(F)(A)-(D) for certain law enforcement activities.
- ◆ **Motel Tax Fund:** Established in accordance with RCW 67.28.200 for the administration of the 7% tax collected on Motel and Hotel revenues. Expenditures are limited by law to building or maintenance and operations of stadiums, paying debt service on bonds sold to build stadiums, and enhancement of tourism.
- ◆ **Trial Court Improvements Fund:** Established in 2009 to account for revenues from the State of Washington, restricted by state law for trial court improvements and for payment of the Judge's compensation.
- ◆ **LIFT Grant Sales Tax Fund:** Established to account for the revenues received from the State of Washington for our Local Infrastructure Financing Tool (LIFT) Grant. The grant is a maximum of \$1 million per year for up to 25 years, depending of the City's qualifying activity each year. The grant proceeds can only be spent on eligible projects with the Revenue Development Area.
- ◆ **1st ¼% Real Estate Excise Tax Fund:** Established in accordance with RCW 82.46.010 to administer the 1st ¼% Real Estate Excise Tax (REET) collected on the sale of real estate. This tax is intended to fund construction projects such as street improvements, new street construction, park land acquisition, and park improvements.
- ◆ **2nd ¼% Real Estate Excise Tax Fund:** Established in 1991 in accordance with RCW 82.46.035 and 82.46.037 to administer the 2nd ¼% of REET collected on the sale of real estate. This REET is intended to fund the same type of expenditures as the 1st ¼% REET, except park land acquisition.

Policies

DEBT SERVICE FUNDS: Account for the accumulation of resources and the payment of general long-term debt principal and interest. The City has the following Debt Service Funds:

Non Voted Debt Service

- 2012 LTGO Refunding Bonds
- 2007/2013/2014 LTGO Refunding Bonds
- 2008/2015 LTGO Refunding Bonds
- 2003 Public Works Trust Fund Loan
- 2014 State Highway Infrastructure Account (HIA) Loan

CAPITAL PROJECTS FUNDS: Account for the acquisition or construction of major capital facilities. The City has the following Capital Projects Funds:

- ◆ **Street Fund:** Established in accordance with RCW 82.36.020 for the administration of the State levied motor vehicle ½ cent gasoline tax distributed to Puyallup. These revenues are to be used for street construction and maintenance projects.
- ◆ **Parks Capital Improvements Fund:** Established to account for all expenditures relating to capital additions or improvements to parks facilities. These projects are financed by 1/10th of 1% of dedicated sales tax revenue, impact fees, and grant proceeds.
- ◆ **Facility Projects Fund:** The purpose of this fund is to account for all projects related to the development of the City's Governmental Facility Projects.

ENTERPRISE FUNDS: Enterprise funds are established for government activities that are financed and operated in a manner similar to private business. Costs of provided services to the general public are financed primarily by user fees. The City operates the following enterprise funds:

- ◆ **Sanitation Utility Fund:** Accounts for the operations, maintenance and debt service expenses of the gas migration system at the inactive landfill.
- ◆ **Water Utility Fund:** Accounts for operations to provide water services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.
- ◆ **Wastewater Utility Fund:** Accounts for operations to provide sewer services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.
- ◆ **Stormwater Utility Fund:** Accounts for operations to provide storm and surface water collection and disposal services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.
- ◆ **Pioneer Park Pavilion Fund:** Accounts for the operations of the City's Pioneer Park Pavilion. All expenses are funded by user fees. The facility hosts contracted events such as wedding receptions, reunions and the farmer's market.

Policies

INTERNAL SERVICE FUNDS used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City. The City operates five Internal Service Funds:

- ◆ **Equipment Rental and Replacement Fund:** Accounts for the costs of maintaining and replacing the majority of City vehicles and auxiliary equipment. All equipment costs, including depreciation, are factors in calculating the rates which are charged to each user department.
- ◆ **Insurance Fund:** Accounts for insurance services to all City departments, including provision for losses on property, liability, worker's compensation, and unemployment compensation. Expenses are paid by the Insurance Fund and rates are charged to departments based on use and/or coverage requirements.
- ◆ **Information Technology & Communication Fund:** Accounts for the costs of operating, maintaining, and replacing City information technology (IT) infrastructure and technology services. The fund has two programs: Information Technology (IT) and Radio Service. Information technology costs are assessed and paid for by City departments based on both direct technology and indirect overhead costs.
- ◆ **Healthcare Insurance Fund:** Accounts for healthcare insurance (including stop loss) for all City staff.
- ◆ **Facility Maintenance Fund:** Facility maintenance and custodians are accounted for in this fund to improve accounting and reporting, and to begin providing for systematic Life Cycle Repairs and Replacements.

This page left intentionally blank