



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**July 11, 2006**

**Ordinance 15545**

**Proposed No.** 2004-0513.2

**Sponsors** Gossett, Hague, Constantine,  
Irons, Edmonds and Phillips

1 AN ORDINANCE authorizing biennial budgeting;  
2 amending Ordinance 12076, Section 2, as amended, and  
3 K.C.C. 4.04.020 and Ordinance 12045, Section 23, as  
4 amended, and K.C.C. 4.04.040 and adding a new section to  
5 K.C.C. chapter 4.04.

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BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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NEW SECTION. SECTION 1. There is hereby added to K.C.C. chapter 4.04 a

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new section to read as follows:

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In accordance with Section 405 of the King County Charter and in lieu of

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adopting an annual budget, the council shall adopt a biennial budget for such county

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funds as the council may determine. For these funds there shall be a midbiennium review

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and modification for the second year of the biennium. The council may adopt additional

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and emergency appropriations ordinances for any such fund or funds in the same manner

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and subject to the same conditions as otherwise provided in the charter.

17            SECTION 2. Ordinance 12076, Section 2, as amended, and K.C.C. 4.04.020 are  
18 each hereby amended to read as follows:

19            The definitions in this section apply throughout this chapter unless the context  
20 clearly requires otherwise.

21            A. "Acquisition of right of way" or "land acquisition" means funds budgeted for  
22 the purchase of property rights, excluding county force charges of the facilities  
23 management division.

24            B. "Adopted" means approval by council motion or ordinance.

25            C. "Agency" means ~~((every))~~ a county office, ~~((every))~~ officer, ~~((every))~~  
26 institution~~((s))~~ whether educational, correctional or other, ~~((and every))~~ department,  
27 division, board ~~((and))~~ or commission, except as otherwise provided in this chapter.

28            D. "Allocation" means a part of a lump sum appropriation that is designated for  
29 expenditure by either a specific organization unit or for specific purposes, or both.

30            E. "Allotment" means a part of an appropriation that may be encumbered or  
31 expended during an allotment period.

32            F. "Allotment period" means a period of less than a fiscal year in length during  
33 which an allotment is effective.

34            G. "Allotment plan" means a fiscal management plan that divides a county  
35 agency's program element budget into quarterly increments, reflecting the cyclical or  
36 seasonal pattern of expenditures, for the purpose of identifying over and under expenditures  
37 throughout the year.

38            H. "Appropriations" means an authorization granted by the council to make  
39 expenditures and to incur obligations for specific purposes.

40           ~~((H.))~~ L. "Appropriation ordinance" means the ordinance that establishes the legal  
41 level of appropriation for a fiscal year or biennium.

42           ~~((I.))~~ J. "Art" means funds budgeted for the one percent for art program under  
43 K.C.C. chapter 4.40 or as otherwise provided by ordinance for a public art program.

44           ~~((J.))~~ K. "Budget" means a proposed plan of expenditures for a given period or  
45 purpose and the proposed means for financing these expenditures.

46           ~~((K.))~~ L. "Budget document" means a formal, written, comprehensive financial  
47 program presented by the executive to the council, including an electronic database with  
48 revenues and expenditures for all county agencies at the lowest organization levels and all  
49 summary levels provided in the general ledger system, balanced to the financial plans and  
50 the appropriation ordinance, fee ordinances, motions related to proposed levy rates to  
51 comply with chapter 36.40 RCW and cost-of-living adjustment ordinance proposed by the  
52 executive.

53           M. "Budget message" means a formal oral presentation by the executive to the  
54 council that explains the budget in terms of goals to be accomplished and how the budget  
55 relates to the Comprehensive Plan.

56           ~~((L.))~~ N. "Capital improvement plan" means a plan that establishes the capital  
57 improvements required to implement an approved operational master plan. This plan  
58 should extend over a minimum period of six years to define long-range capital  
59 improvement requirements and the annual capital improvements budget for a user agency.

60           1. The capital improvement plan shall include the following elements, where  
61 applicable:

- 62 a. general program requirements that define the development scope for specific  
63 sites or facilities;
- 64 b. general space and construction standards;
- 65 c. prototype floor plans and prototype facility designs for standard  
66 improvements;
- 67 d. space requirements based on the adopted county space plan;
- 68 e. initial, and life-cycle cost, of alternative facilities and locations including lease  
69 and lease/purchase approaches;
- 70 f. approximate location of planned capital improvements;
- 71 g. general scope and estimated cost of infrastructure;
- 72 h. a schedule, that extends over a minimum of six years, for the implementation  
73 of projects included in capital improvement plans, based on overall user agency priorities  
74 and projected available revenue;

75 2. The user agency shall prepare the elements of the plan in subsection L.1. a, d, f  
76 and h of this section. The implementing agency shall prepare the elements of this plan in  
77 subsection L.1. b, c, e and g of this section.

78 3. The six-year budget schedule included in the capital improvement plan shall be  
79 updated annually in conjunction with the capital budget adoption process.

80 ~~(M.)~~ O. "Capital project" means a project with a scope that includes one or more  
81 of the following elements, all related to a capital asset: acquisition of either a site or  
82 existing structure, or both; program or site master planning; design and environmental  
83 analysis; construction; major equipment acquisition; reconstruction; demolition; or major  
84 alteration. "Capital project" includes a: project program plan; scope; budget by task; and

85 schedule. The project budget, conceptual design, detailed design, environmental studies  
86 and construction elements of a project shall be prepared or managed by the implementing  
87 agency.

88 ~~((N:))~~ P. "CIP" means capital improvement program.

89 ~~((Θ:))~~ Q. "CIP exceptions notification" means, except for major maintenance  
90 reserve fund, roads, solid waste, surface water management and wastewater CIP projects, a  
91 letter filed with the clerk of the council for distribution to the chair of the budget and fiscal  
92 management committee, or its successor committee, which describes changes to an adopted  
93 CIP project's scope or schedule, or both, or total project cost and, with the exception of  
94 schedule changes, shall be sent in advance of any action. For major maintenance reserve  
95 fund CIP projects, "exceptions notification" means a letter filed with the clerk of the  
96 council for distribution to the chair of the budget and fiscal management committee, or its  
97 successor committee, that describes changes of fifteen percent or more to an adopted CIP  
98 project's scope or schedule, or both, or total project costs and, with the exception of  
99 schedule changes, shall be sent in advance of any action. For road CIP projects,  
100 "exceptions notification" means a letter filed with the clerk of the council for distribution to  
101 the chair of the transportation committee, or its successor committee, that describes  
102 changes of fifteen percent or more to an adopted CIP project's scope or schedule, or both,  
103 or total project costs and, with the exception of schedule changes, shall be sent in  
104 advance of any action. For wastewater, solid waste and surface water management CIP  
105 projects, "exceptions notification" means a letter filed with the clerk of the council for  
106 distribution to the chair of the budget and fiscal management committee, or its successor  
107 committee, and to the chair of the utilities committee, or its successor committee, which

108 describes changes of fifteen percent or more to an adopted CIP project's scope or  
109 schedule, or both, or total project costs and, with the exception of schedule changes, shall  
110 be sent in advance of any action.

111 ~~((P.))~~ R. "Construction" means funds budgeted for CIP project construction  
112 including contract construction, contract inspection and testing and, as appropriate,  
113 construction tasks performed by county forces.

114 ~~((Q.))~~ S. "Contingency" means funds budgeted for unanticipated CIP project costs  
115 associated with any other project activities.

116 ~~((R.))~~ T. "Contracted design" or "preliminary engineering" means funds budgeted  
117 for activities of a contract nature associated with all CIP project phases through bid  
118 advertising. Included are contracts for feasibility studies, planning, studies, preliminary  
119 design, construction drawings, bid specifications and on-site inspections.

120 ~~((S.))~~ U. "Cost elements" means CIP budgeting activities related to construction,  
121 contracted design, preliminary engineering, acquisition of right of way, equipment and  
122 furnishings, contingency, artistic furnishings, county force design, county force right of  
123 way, project administration or other activities as provided by the council.

124 ~~((T.))~~ V. "Council" means the metropolitan King County council.

125 ~~((U.))~~ W. "County force design" means funds budgeted for CIP project design or  
126 design review by county personnel.

127 ~~((V.))~~ X. "County force right of way" means funds budgeted for real property costs  
128 associated with CIP land acquisition.

129 ~~((W.))~~ Y. "Deficit" means the excess of expenditures over revenues during an  
130 accounting period, or an accumulation of such excesses over a period of years.

131           ~~((X.))~~ Z. "Director" means the director of the office of management and budget.

132           ~~((Y.))~~ AA. "Equipment and furnishings" means all costs for the purchase of  
133 equipment and furnishings associated with CIP project construction.

134           ~~((Z.))~~ BB. "Executive" means the King County executive, as defined by Article 3  
135 of the King County Charter.

136           ~~((AA.))~~ CC. "Expenditures" means, where the accounts are kept on the accrual  
137 basis or the modified accrual basis, the cost of goods delivered or services rendered,  
138 whether paid or unpaid, including expenses, provisions for debt retirement not reported as a  
139 liability of the fund from which retired, and capital outlays. Where the accounts are kept  
140 on the cash basis, "expenditures" means actual cash disbursements for these purposes.

141           ~~((BB.))~~ DD. "Financial plan" means a summary by fund of planned revenues and  
142 expenditures, reserves and undesignated fund balance.

143           ~~((CC.))~~ EE. "Fiscal period" means a calendar year or a biennium.

144           FF. "Fund" an independent fiscal and accounting entity with a self-balancing set of  
145 accounts recording either cash or other resources, or both, together with related liabilities,  
146 obligations, reserves and equities that are segregated for the purpose of carrying on specific  
147 activities or attaining certain objectives in accordance with special regulations, restrictions  
148 or limitations.

149           ~~((DD.))~~ GG. "Fund balance" means the excess of the assets of a fund over its  
150 liabilities and reserves except in the case of funds subject to budgetary accounting where,  
151 before the end of a fiscal period, it represents the excess of the fund assets and estimated  
152 revenues for the period over its liabilities, reserves and appropriations for the fiscal period.

153           ~~((EE))~~ HH. "General facility major maintenance emergent need contingency  
154 project" means an appropriation to provide contingent budget authority for emergent needs  
155 within major maintenance reserve fund CIP projects.

156           ~~((FF))~~ II. "Implementing agency" means the appropriate department and division  
157 responsible for the administration of CIP projects.

158           ~~((GG))~~ JJ. "Lapse" of an appropriation means an automatic termination of an  
159 appropriation.

160           ~~((HH))~~ KK. Major maintenance reserve fund CIP project" means any major  
161 maintenance reserve fund CIP project that is allocated in the adopted six-year major  
162 maintenance reserve fund CIP and is appropriated at the major maintenance reserve fund  
163 level in accordance with K.C.C. 4.04.265.

164           ~~((H))~~ LL. "Major widening project" means any roads CIP project adding at least  
165 one through lane in each direction.

166           ~~((JJ))~~ MM. "Object of expenditure" means a grouping of expenditures on the basis  
167 of goods and services purchased, such as salary and wages.

168           ~~((KK))~~ NN. "Open space non-bond fund project" means an open space project that  
169 is allocated in the adopted six-year open space CIP and is appropriated at the open space  
170 non-bond fund number 3522 level in accordance with K.C.C. 4.04.300.

171           ~~((LL))~~ OO. "Operational master plan" means a comprehensive plan for an agency  
172 setting forth how the organization will operate now and in the future. An operational  
173 master plan shall include the analysis of alternatives and their life cycle costs to accomplish  
174 defined goals and objectives, performance measures, projected workload, needed resources,



175 implementation schedules and general cost estimates. The operational master plan shall  
176 also address how the organization would respond in the future to changed conditions.

177 ~~((MM.))~~ PP. "Program" means the definition of resources and efforts committed to  
178 satisfying a public need. The extent to which the public need is satisfied is measured by the  
179 effectiveness of the process in fulfilling the needs as expressed in explicit objectives.

180 ~~((NN.))~~ QQ. "Project administration" means funds budgeted for all county costs  
181 associated with administering design and construction contracts on CIP projects.

182 ~~((OO.))~~ RR. "Project program plan" means a plan, primarily in written narrative  
183 form, that describes the overall development concept and scope of work for a building,  
184 group of buildings or other facilities at a particular site. The complexity of the project  
185 program plan will vary based upon the size and difficulty of the program for a particular  
186 site. When the plan includes projects that are phased over time, each phase shall have an  
187 updated project program plan prepared by the user agency before project implementation.  
188 The project program plan shall be prepared by the user agency with assistance from the  
189 implementing agency. The program plan describes the user agency program requirements  
190 for a specific building or site; provides the basis for these requirements; and identifies when  
191 funds for the implementation of the capital projects will be provided. The program plan  
192 shall elaborate on the general program information provided in the operational master plan  
193 and the capital improvement plan. The plan shall also describe user agency programs, how  
194 these programs would fit and function on the site, and the general recommendation of the  
195 user agency regarding the appearance of the building or site. This plan shall indicate when  
196 a site master plan is required for a project.

197           (~~PP.~~) SS. "Public need" means those public services found to be required to  
198 maintain the health, safety and well-being of the general citizenry.

199           (~~QQ.~~) TT. "Quarterly management and budget report" means a report prepared  
200 quarterly by the director for major operating and capital funds, that:

- 201           1. Presents executive revisions to the adopted financial plan or plans;
- 202           2. Identifies significant deviations in agency workload from approved levels;
- 203           3. Identifies potential future supplemental appropriations with a brief discussion  
204 of the rationale for each potential supplemental;
- 205           4. Identifies significant variances in revenue estimates;
- 206           5. Reports information for each appropriation unit on the number of filled and  
207 vacant full-time equivalent and term-limited temporary positions and the number of  
208 temporary employees;
- 209           6. Includes the budget allotment plan information required under K.C.C.

210 4.04.060; and

- 211           7. Describes progress towards transitioning potential annexation areas to cities.

212           (~~RR.~~) UU. "Reappropriation" means authorization granted by the council to  
213 expend the appropriation for the previous fiscal year for capital programs only.

214           (~~SS.~~) VV. "Regulations" means the policies, standards and requirements, stated in  
215 writing, designed to carry out the purposes of this chapter, as issued by the executive and  
216 having the force and effect of law.

217           (~~TT.~~) WW. "Revenue" means the addition to assets that does not increase any  
218 liability, does not represent the recovery of an expenditure, does not represent the

219 cancellation of certain liabilities on a decrease in assets and does not represent a  
220 contribution to fund capital in enterprise and intragovernmental service funds.

221 ~~((UU.))~~ XX. "Roads CIP project" means roads capital projects that are allocated in  
222 the adopted six-year roads CIP and are appropriated at the roads CIP fund level in  
223 accordance with K.C.C. 4.04.270.

224 ~~((VV.))~~ YY. "Scope change" means, except for major maintenance reserve fund,  
225 roads, solid waste, surface water management and wastewater CIP projects, that a CIP  
226 project's total project cost increases by ten percent or by fifty thousand dollars, whichever  
227 is less. For major maintenance reserve fund, roads, solid waste, surface water management  
228 or wastewater CIP projects, "scope change" means the total project cost increases by fifteen  
229 percent.

230 ~~((WW.))~~ ZZ. "Site master plan" means a plan prepared by the implementing  
231 agency, with input from the user agency, that describes, illustrates and defines the capital  
232 improvements required to provide user agency program elements.

233 1. The site master plan shall include preliminary information regarding, at a  
234 minimum:

- 235 a. site analysis, including environmental constraints;
- 236 b. layout, illustration and description of all capital improvements;
- 237 c. project scopes and budgets;
- 238 d. project phasing; and
- 239 e. operating and maintenance requirements.

240 2. The site master plan shall be approved by the user agency and the  
241 implementing agency before submittal to the executive and council for approval.

242            ~~((XX-))~~ AAA. "Solid waste CIP project" means a solid waste project that is  
243 allocated in the adopted six-year solid waste CIP and is appropriated at the solid waste CIP  
244 fund level in accordance with K.C.C. 4.04.273.

245            ~~((YY-))~~ BBB. "Surface water management CIP project" means a surface water  
246 management project that is allocated in the adopted six-year surface water management  
247 CIP and is appropriated at the surface water management CIP fund level in accordance  
248 with K.C.C. 4.04.275.

249            ~~((ZZ-))~~ CCC. "User agency" means the appropriate department, division, office or  
250 section to be served by any proposed CIP project.

251            ~~((AAA-))~~ DDD. "Wastewater asset management projects" means the wastewater  
252 capital projects identified and intended by the wastewater treatment division to extend and  
253 optimize the useful life of wastewater treatment assets, including facilities, structures,  
254 pipelines and equipment.

255            ~~((BBB-))~~ EEE. "Wastewater CIP project" means wastewater capital projects that  
256 are allocated in the adopted six-year wastewater CIP and are appropriated at the wastewater  
257 CIP fund level in accordance with K.C.C. 4.04.280.

258            SECTION 3. Ordinance 12045, Section 23, as amended, and K.C.C. 4.04.040 are  
259 each hereby amended to read as follows:

260            A. The council and executive shall execute the following responsibilities (~~outlined~~  
261 ~~below~~) in order to accomplish the preparation and distribution of the budget and budget  
262 document.

263           1. a. At least two hundred forty-five days before the end of the fiscal period, the  
264 council shall notify the executive by motion of those funds to be budgeted on an annual  
265 basis and those to be budgeted on a biennial basis.

266           b. At least one hundred thirty-five days before the end of the fiscal period, all  
267 agencies shall submit to the executive information necessary to prepare the budget.

268           ~~((b.))~~ c. Before presentation to the council, the executive may provide for  
269 hearings on all agency requests for expenditures and revenues to enable the executive to  
270 make determinations as to the need, value or usefulness of activities or programs requested  
271 by agencies. The executive may require the attendance of proper agency officials at such  
272 hearings~~((;))~~ and it shall be ~~((their))~~ the duty of those officials to disclose such information  
273 as may be required to enable the executive to arrive at final determinations.

274           ~~((e.))~~ d. The executive shall prepare and present an annual or a biennial budget  
275 and budget message to the council no later than seventy-five days before the end of the  
276 fiscal year or biennium. Copies of the budget and budget message shall be delivered to the  
277 clerk of the council and each councilmember.

278           ~~((d.))~~ e. The executive shall prepare and present a proposed appropriation  
279 ordinance not later than seventy-five days before the end of the fiscal year or biennium  
280 The proposed appropriation ordinance shall specify by any combination of fund, program,  
281 project and agency as determined by the council the expenditure levels for the ensuing  
282 budget year or biennium.

283           ~~((e))~~ f. Before the public hearing on the budget, the budget message and  
284 supporting tables shall be furnished to any interested person upon request~~((;))~~ and copies of

285 the budget shall be furnished for a reasonable fee as established by ordinance and shall be  
286 available for public inspection in the office of the clerk of the council and on the Internet.

287 ((f.)) g. Seven days before the presentation of the ((annual)) proposed budget  
288 and budget message to the council, the director shall submit to the council copies of all  
289 agency and departmental budget requests and departmental and divisional work programs.

290 2.a. The council shall review the proposed appropriation ordinance and shall  
291 make any changes or additions it deems necessary except the council shall not change the  
292 form of the proposed appropriation ordinance submitted by the executive.

293 b. The council shall then announce and subsequently hold a public hearing or  
294 hearings as it deems necessary.

295 c. Upon completion of the budget hearings, the council shall by ordinance adopt  
296 an appropriation ordinance granting authority to make expenditures and to incur  
297 obligations, and the council may attach an accompanying statement specifying legislative  
298 intent.

299 3. The director shall be responsible for the printing and distribution of the  
300 executive proposed budget and final adopted budget.

301 B.1.a. Within thirty days after adoption of the appropriation ordinance, all  
302 agencies shall submit to the executive a statement of proposed expenditures at such times  
303 and in such a form as may be required by the executive, provided that the council is not  
304 required to submit an allotment. The statement of proposed expenditures shall include  
305 requested allotments of appropriations for the ensuing fiscal period for the department or  
306 agency concerned by ((either)) program, project, object of expenditure or combination  
307 thereof and for such periods as may be specified by the executive.

308           The executive shall review the requested allotments in light of the department's or  
309 agency's plan of work~~((;))~~ and may revise or alter requested allotments. The aggregate of  
310 the allotments for any department or agency shall not exceed the total of appropriations  
311 available to the department or agency concerned for the fiscal period.

312           b. If at any time during the fiscal period the executive ascertains that available  
313 revenues for the applicable period will be less than the respective appropriations, the  
314 executive shall revise the allotments of departments or agencies funded from such revenue  
315 sources to prevent the making of expenditures in excess of revenues. ~~((To the same end,~~  
316 ~~€))~~The executive is also authorized to assign to, and to remove from, a reserve status any  
317 portion of a department or agency appropriation which in the executive's discretion is not  
318 needed for the allotment. No expenditure shall be made from any portion of an  
319 appropriation ~~((which))~~ that has been assigned to a reserve status except as provided in this  
320 section.

321           2. The executive shall periodically review any pay and classification plans, and  
322 changes ~~((thereunder))~~ made to those plans, for fiscal impact~~((;))~~ and shall recommend to  
323 the council any changes to such plans~~((; provided, that))~~. However, none of the provisions  
324 of this subsection shall affect merit systems of personnel management now existing or  
325 hereafter established by ordinance relating to the fixing of qualification requirements for  
326 recruitment, appointment, promotion or reclassification of employees of any agency.

327           3. During the last quarter of the fiscal year, the council when requested by the  
328 executive may adopt an ordinance to transfer appropriations between agencies~~((; but))~~.  
329 However, a capital project shall not be abandoned thereby unless its abandonment is  
330 recommended by the department or agency responsible for planning.

331 4.a. Unless otherwise provided by ~~((the))~~ an appropriation ordinance~~((s))~~ and as  
332 set forth ~~((herein))~~ in this section, all unexpended and unencumbered appropriations in the  
333 current expense appropriation ordinances shall lapse at the end of the fiscal period. As  
334 used in this subsection, "current expense appropriations" include all non~~((-))~~capital budget  
335 appropriations.

336 b. ~~((A portion of any such appropriations may be carried forward into the~~  
337 ~~subsequent fiscal year as part of a savings incentive program administered by the director~~  
338 ~~and calculated as follows:~~

339 ~~(1) The amount to be carried forward shall be one half of the unexpended and~~  
340 ~~unencumbered current expense appropriations which exceed underexpenditure~~  
341 ~~requirements established for the year by the director, and exceed any loss of grant, contract~~  
342 ~~or similar revenues, which are dedicated to fund the activities supported by the applicable~~  
343 ~~appropriations. These amounts must result from efficiencies and other management~~  
344 ~~measures; and~~

345 ~~(2) The calculated amount shall exclude appropriations requested in the~~  
346 ~~subsequent fiscal year to pay for goods or services planned to be purchased during the~~  
347 ~~current fiscal year, but neither delivered nor paid for during the current fiscal year.~~

348 ~~e. Amounts carried forward as set forth in this subsection shall be expended to~~  
349 ~~improve productivity and service quality. Authorized uses include, but are not limited to,~~  
350 ~~the acquisition of equipment, testing new service delivery systems and training, so long as~~  
351 ~~such uses do not create recurring, annual obligations beyond minor equipment maintenance~~  
352 ~~costs and are consistent with any applicable county automation standards and plans.~~



353           d. ~~By May 1st of each year, the executive shall submit to the council a report~~  
354 ~~describing the amount of savings each agency has carried forward from the prior fiscal~~  
355 ~~year.~~

356           e.)) An appropriation in the capital budget appropriations authorization shall be  
357 canceled at the end of the fiscal year or biennium, unless the executive submits to the  
358 council the report of the final year end reconciliation of expenditures for all capital projects  
359 on or before March 1((st)) of the year following the year of the appropriation, and each  
360 year thereafter in which the appropriation remains open.

361           ~~((5. There is hereby created the current expense opportunity fund. Contributions~~  
362 ~~to the fund shall be made pursuant to the formula contained in this subsection, or by direct~~  
363 ~~appropriation.~~

364           a. ~~The amount deposited in the current expense opportunity fund shall be one-~~  
365 ~~half of the unexpended and unencumbered current expense appropriations which exceed~~  
366 ~~underexpenditure requirements established for the year by the office of financial~~  
367 ~~management, and exceed any loss of grant, contract or similar revenues, which are~~  
368 ~~dedicated to fund the activities supported by the applicable appropriations. The calculated~~  
369 ~~amount shall exclude appropriations requested in the subsequent fiscal ((year)) period to~~  
370 ~~pay for goods or services planned to be purchased during the current fiscal ((year)) period,~~  
371 ~~but neither delivered nor paid for during the current fiscal ((year)) period. The funds~~  
372 ~~deposited in the current expense opportunity fund shall be equal to the funds made~~  
373 ~~available to the savings incentive program.~~

374           b. ~~The executive may recommend, subject to appropriation, the expenditure of~~  
375 ~~the current expense opportunity funds in the ((annual)) biennial budget submittal or in~~  
376 ~~supplemental spending requests.~~

377           6.) 5.a. Except as otherwise provided in this subsection B.((6))5. of this section,  
378 no agency shall expend or contract to expend any money or incur any liability in excess of  
379 the amounts appropriated. Any contract made in violation of this section shall be null and  
380 void; any officer, agent or employee of the county knowingly responsible under such a  
381 contract shall be personally liable to anyone damaged by this action. The council when  
382 requested to do so by the executive may adopt an ordinance permitting the county to enter  
383 into contracts requiring the payment of funds from appropriations of subsequent fiscal  
384 years, except that the executive may enter into grant contracts, as provided under  
385 subsection B.((7)) 6. of this section.

386           b. The term of a lease or agreement for real or personal property shall not extend  
387 beyond the end of a calendar year unless:

388           (1) funding for the entire term of that lease or agreement is included in a capital  
389 appropriation ordinance ~~((provided that any lease or agreement longer than a cumulative~~  
390 ~~total of two years shall require council approval))~~, though any lease or agreement for real  
391 property longer than a cumulative total of two years shall require council approval by  
392 ordinance; ((or))

393           (2) such a lease or agreement includes a cancellation clause under which the  
394 lease or agreement may be unilaterally terminated for convenience by the county and costs  
395 associated with such termination for convenience, if any, shall not exceed the appropriation  
396 for the year in which termination is effected ~~((provided that any decision to continue to the~~

397 lease or agreement beyond a cumulative total of two years shall require council approval)),  
398 though any decision to continue any lease or agreement for real property beyond a  
399 cumulative total of two years shall require council approval by ordinance; or

400 (3) such a lease or agreement is authorized by ordinance for such periods and  
401 under such terms as the county council shall deem appropriate.

402 c. Real property shall not be leased to the county for more than one year unless it  
403 is included in a capital appropriation ordinance.

404 d. Nothing in this section shall prevent the making of contracts or the spending  
405 of money for capital improvements, ~~((not))~~ or the making of contracts of lease or for  
406 service for a period exceeding the fiscal period in which such a contract is made, when  
407 such a contract is permitted by law.

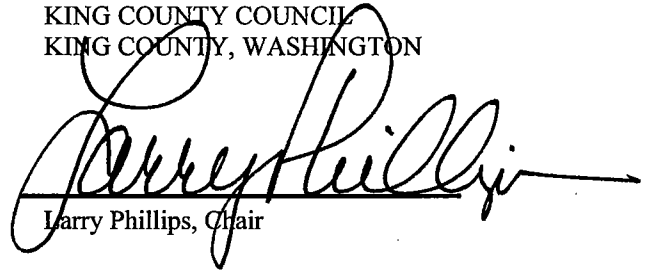
408 ~~((7.))~~ 6. The executive may enter into contracts to implement grants awarded to  
409 the county before the appropriation of grant funds, including appropriations that must be  
410 made in future years, if the council has received prior notice of the grant application and if  
411 either of the following conditions are met: all of the funds to be appropriated under the

412 contract will be from the granting agency; or all financial obligations of the county under  
413 the contract are subject to appropriation.  
414

Ordinance 15545 was introduced on 11/1/2004 and passed by the Metropolitan King  
County Council on 7/10/2006, by the following vote:

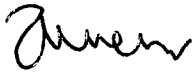
Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr.  
Ferguson, Mr. Gossett, Ms. Hague, Ms. Patterson and Mr. Constantine  
No: 0  
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2006.

**DEEMED ENACTED WITHOUT  
COUNTY EXECUTIVE'S SIGNATURE**  
DATED: 7/21/06

Ron Sims, County Executive

Attachments None

RECEIVED  
2006 JUL 21 PM 2:01  
KING COUNTY COUNCIL  
CLERK



## King County

**Ron Sims**

King County Executive

701 Fifth Avenue, Suite 3210  
Seattle, WA 98104

206-296-4040 Fax 206-296-0194

TTY Relay: 711

[www.metrokc.gov](http://www.metrokc.gov)

RECEIVED

2006 JUL 21 PM 2:01

CLERK  
KING COUNTY COUNCIL

July 21, 2006

The Honorable Larry Phillips  
Chair, King County Council  
Room 1200  
COURTHOUSE

Dear Councilmember Phillips:

I am returning to you Ordinance 15545 without my signature, allowing the ordinance to lapse into law.

While I am generally supportive of the ordinance as adopted by the County Council, the provision in Section 3 relating to when the council would provide a listing of funds which should be subject to a biennial budget is of great concern to me.

Section 3.A.1.a. of the ordinance states that at least two hundred forty five days before the end of the fiscal year, the council will notify the Executive of those funds to be budgeted on an annual and those to be budgeted on a biennial basis. If the council were to transmit that information on the last allowable day, I would receive that information on April 30 . By that time of year, significant work would have been completed in anticipation of the preparation of the next year's budget. Decisions would have been made by my office on a broad range of budgetary policies. The Office of Management and Budget (OMB) works with agencies from the first of April on the Proposed Status Quo (PSQ) budget and would be within one to two weeks of sending those budgets to agencies with the budget instructions for preparing their upcoming budget proposals.

A much more appropriate date for a determination of the list of annual and biennial budgets would be *the last day in February*. This date would be more consistent with the beginning of the financial planning efforts which start the annual budget process.

While the ordinance does prescribe the two hundred forty days, I would ask the council to work with me and OMB each year to make the determination of annual and biennial budgets as early in the year as possible, with a target of making those determinations in February.



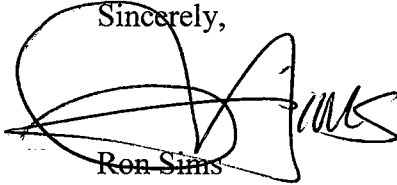
The Honorable Larry Phillips

July 21, 2006

Page 2

Thank you for your consideration. If you have any questions, please feel free to contact Bob Cowan, Director, Office of Management and Budget, at 206-205-0630.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Sims", written over a large, stylized circular scribble.

Ron Sims  
King County Executive

cc: King County Councilmembers

ATTN: Shelley Sutton, Policy Staff Director

Rebecha Cusack, Legislative Committee Director, BFM Committees

Anne Noris, Clerk of the Council

Bob Cowan, Director, Office of Management and Budget

Debora Gay, Deputy Director, Office of Management and Budget



Metropolitan King County Council  
Operating Budget Committee

AGENDA ITEM Nos.: \_\_\_\_\_

DATE: June 28, 2006

PROPOSED No.: 2004-0513

PREPARED BY: William Nogle

**REVISED**  
**STAFF REPORT**

**Proposed Substitute Ordinance 2004-0513 was passed out of the Operating Budget Committee on June 28 with a DO PASS recommendation.**

**SUBJECT:**

Proposed Ordinance 2004-0513 would amend the King County Code to authorize adoption of the County budget on a biennial basis as opposed to the current annual basis.

**BACKGROUND:**

Since 1985, cities in the State of Washington have had the legal ability to adopt biennial budgets. In 1997, the Legislature gave counties the authority to adopt an ordinance providing for biennial budgets with a mid-biennium review and modification for the second year of the biennium (RCW 36.40.250).

The voters of King County at the November 2003 general election approved Proposition 1, an amendment to Article 4 of the King County Charter, authorizing the Council to adopt an ordinance to establish biennial budgeting.

Section 405 of the King County Charter now reads as follows:

The county council may, subject to the provisions of section 230 of this charter, adopt an ordinance providing for a biennial budget cycle for any or all county funds, with a midbiennium review and modification for the second year of the biennium, including specifying the process and timeline for major tasks in the biennial budget process. References in this charter to the fiscal year or to specific dates shall apply to the corresponding annual or biennial period or date for any such fund or funds. Any references to a "quarter of a fiscal year" mean three months. The county council may adopt additional and emergency appropriations ordinances for such fund or funds in the same manner and subject to the same conditions as otherwise provided in this charter. The county council may repeal such an ordinance and revert to adopting annual budgets for

any fund or funds, commencing after the end of any biennial budget cycle. (Ord. 14758 § 2, 2003)

This ordinance was reviewed in two meetings of the Budget and Fiscal Management Committee, once in 2004 and again in January 2005. That committee took no action. In May, a briefing was provided to the Committee of the Whole. On those occasions, staff highlighted a number of issues that would need to be addressed and decisions that should be made before biennial budgeting is fully implemented.

Staff suggested that It may be advisable to form some type of working or advisory group to study the issues discussed above and make recommendations to the Council on how and when biennial budgeting should be implemented.

The May staff report also discussed how the Operating Budget Committee for the last two months has been doing an in-depth study of the Finance and Business Operations Division (FBOD) of the Office of Executive Services. FBOD has five lines of business including Treasury functions, Contracts and Procurement, Payroll, Financial Management and Benefits and Retirement administration. The budget for FBOD is fairly stable from year to year. As part of this in-depth review, the OBC was considering having FBOD prepare a two-year budget for 2007-08 as a pilot program.

This pilot program would provide some very valuable insights into how a biennial budget system might work and some of the problems and issues that might be encountered.

## **ANALYSIS:**

### **Key Provisions of the Charter**

A careful reading of Section 405 reveals the following:

- Any ordinance adopted to implement biennial budgeting must comply with Section 230 of the Charter.<sup>1</sup>
- The ordinance can provide for biennial budgeting for any County fund or funds, up to and including all funds.
- A mid-biennium review is required.
- The ordinance can specify steps in the process of adopting a budget and the timeline to follow for major tasks.
- The provisions elsewhere in the Charter with regard to additional and emergency appropriations apply to biennial budgets in the same way they applied to annual budgets.

### **Where Is Biennial Budgeting in Use?**

According to research done by the International City/County Management Association (ICMA) in 1999, only two states, Utah and Washington, allowed a two-year appropriation process for counties and cities. Council staff research indicates that Wyoming adopted legislation allowing biennial budgets in 2001. Staff has not attempted to update this research. It is safe to say, however, that the use of biennial budgeting by cities and counties in the nation is very limited.



In the State of Washington, two counties, Clark and Kitsap, currently adopt biennial budgets. There are only a handful of counties nationally that budget on a biennial basis.

Budgets are extremely important documents for local governments that fulfill the following major functions:

- A policy document that lays out the goals and objectives of the local government;
- A financial plan that explains where the local government's revenue comes from and how it will be utilized;
- An operations guide that explains how the government functions through its various programs, departments and agencies; and,
- A communications device that communicates all of the above to citizens, employees, elected officials and others.

Much of the budget remains basically the same from one year to the next. The budget process is mainly about making adjustments to the status quo to respond to changes in the economy, changes in society, changes in priorities, changes in policies, or changes in management. From this standpoint, a multiyear budget may be a very sensible option that can make the budget process more efficient.

The burden of projecting revenues for budgeting purposes falls on the Office of Management and Budget. One of the major difficulties with multiyear budgets is the need to do multiyear revenue projections. Projecting revenues for the upcoming calendar year for budget purposes is a difficult process, especially considering that this must typically be done when only partial actual data is available for the current year. The revenue projection process becomes that much more difficult when it must encompass two future years rather than one.

### **Types of Multiyear Budgets**

A "true" biennial budget is one that includes appropriations designed to last for two years. The State of Washington for example adopts a biennial budget. However, the State's process includes a substantial mid-biennial review and supplemental budget. Some multi-year budgets employed around the country are variations that are not true biennial budgets because the laws in those locations do not permit true biennial budgets.

One approach in these circumstances is to adopt a one-year budget with an accompanying de facto budget for the second year. This is what Hillsborough County, Florida does. Every two years the Commissioners approve a budget comprised of two separate fiscal years. When it comes time to formally adopt the second year, the process of preparing the budget represents just an update of the original plan rather than a full-fledged review.<sup>2</sup>

The City of Seattle adopts a one-year budget and "endorses" a second year. This is very similar to what Hillsborough County does. The endorsed second year provides the

starting point for the budget process and has led to a much more focused and condensed process in that second year. <sup>3</sup> In contrast, Clark County adopts a 24-month budget where appropriation authority does not lapse at the end of the first year. Kitsap County on the other hand adopts a biennial budget but portions of the first year budget lapse while other portions of the first year budget are "reappropriated" into the second year.

Other local governments employ a process where they adopt a one-year budget with a "rolling" second year. In these cases, every year two one-year budgets are prepared. Only the first year is formally adopted. For example, in 2004 budgets for 2005 and 2006 would be prepared. Only the 2005 budget would be formally adopted. In 2005, budgets for 2006 and 2007 would be prepared, using the 2006 budget from the prior year as the starting point. Only the 2006 budget would be formally adopted.

### **Biennial Budgets Allowed by State Law and County Charter**

King County now has the authority to adopt a biennial budget under both State law and the King County Charter. According to the State law, a mid-biennial budget review and modification is required. The County has the option to adopt an ordinance providing for a biennial budget for any one or more funds, with a mid-biennium review; the Council may also opt to keep some funds on an annual budget cycle.

### **STRIKING AMENDMENT:**

As result of the briefing in COW in May, the Chair of the OBC directed staff to recommend members of a working group that would review various issues and report back to the Council with recommendations. The issues identified in previous staff reports are included as Attachment 3 to this staff report. This working group could be set up to report back to the Council early in 2007.

The Chair has also directed that a striking amendment be prepared to Proposed Ordinance 2004-0513 that will provide for the opportunity to implement biennial budgeting piecemeal with a fund or funds being selected for test purposes. Striker S1 accomplishes this by removing reference to an effective date or years and by providing a mechanism for the Council to direct the Executive to prepare his proposed budget on a biennial basis for selected funds.

The striker also: 1. Adds or modifies definitions of allotment plan, budget document, and budget message; 2. Removes reference to fiscal years when biennial budgeting would commence; 3. Provides the method and timing of notification by the council to the executive as to which funds should be on a biennial basis or annual basis in the proposed budget; 4. Deletes provision in the King County Code for the savings incentive program and the current expense opportunity fund; and, 5. Corrects drafting errors in prior legislation related to leases.

### **REASONABLENESS:**

Adoption of Proposed Ordinance 2004-0513 as amended by striking amendment S1 is a reasonable and prudent business decision. The ordinance as amended will provide

for the framework for switching from annual to biennial budgeting on a partial basis, allowing for testing of how a biennial budgeting system can be implemented.

---

<sup>1</sup> Section 230 of the King county Charter lays out various provisions that govern the way ordinances are introduced, adopted and amended, as well as provisions for referendums and initiatives, vetoes, and effective dates.

<sup>2</sup> In 1995, the Board of County Commissioners adopted a biennial budget process. This means its staff prepares a budget for two fiscal years. The first fiscal year, always an even-number, is the budget that is legally adopted. The second fiscal year, always an odd-number, is approved as a plan. The second year's budget is later updated and officially adopted. This biennial budget process allows departments and agencies as well as the Board of County Commissioners to plan beyond the immediate budget. This promotes better fiscal planning.

<sup>3</sup> Washington state law also allows cities to adopt biennial budgets. In 1993, the City ran a pilot test on the concept of biennial budgeting for six selected departments. In 1995, the City moved from an annual to a modified biennial budget. Under this approach, the City Council formally adopts the budget for the first year of the biennium and endorses, but does not appropriate, the budget for the second year. The second year budget is based on the Council endorsement and is formally adopted by Council after a midbiennial review.

## BIENNIAL BUDGETING ISSUES

### **ISSUE: What are the Council's goals with regard to biennial budgeting?**

The Council should consider, review and adopt a clear set of goals that it wishes to accomplish by moving to biennial budgets.

### **ISSUE: What type of multiyear budget is best?**

A "true" biennial budget is one that includes a two-year appropriation. In Washington State, Clark and Kitsap Counties adopt true biennial budgets, meaning budget authority does not lapse at the end of the first year. In contrast, some jurisdictions adopt multi-year budgets that are not true biennial budgets. In states where biennial budgeting is not allowed under state law, one approach is to adopt a one-year budget with an accompanying de facto budget for the second year. This is what Hillsborough County, Florida does. Every two years, the Commissioners informally approve a budget comprised of two separate fiscal years but adopt only the first year. When it comes time to formally adopt the second year, the process of preparing the budget represents just an update of the original plan rather than a full-fledged review.

The City of Seattle adopts a one-year budget and "endorses" a second year. The endorsed second year provides the starting point for the budget process and leads to a much more focused and condensed process in that second year.

### **ISSUE: What funds should be budgeted on a biennial basis?**

As noted above, the County has the option to budget some funds on a biennial basis and others on an annual basis. For example, the General Fund could be budgeted annually while enterprise funds, special revenue funds, and internal service funds could be budgeted on a biennial basis. Are there advantages and disadvantages? What are they?

### **ISSUE: Will the County's accounting and reporting financial software allow budgeting, accounting and reporting on a biennial basis?**

King County has two accounting systems and two payroll systems plus a non-integrated budgeting program. Replacement of these with a single integrated data base system failed in 2000. This project has been restarted under the Accountable Business Transformation (ABT) project title. With this major replacement project in progress, is it a good time to switch to biennial budgeting?

Staff discussed this with the Director of the Business and Finance Operations Division of the Office of Executive Services. The Finance Division is primarily interested in this question from the standpoint of its effect on preparing annual financial statements. The Director believes the existing systems would be able to accommodate biennial budgeting with regard to financial reporting. Finance Office procedures would not differ much under biennial budgeting compared to the current annual budgeting system.

Clark County on the other hand noted that substantial changes to financial systems are needed to accommodate biennial budgeting at least from their experience. Their recent acquisition of an Oracle system involved customization to allow for their two-year

budget. In the late 1980's, the City of Seattle acquired a new financial management system. They found that substantive reprogramming would have to be done to accommodate biennial budgeting.

King County's Director of the Office of Management and Budget has concerns and reservations about attempting to convert to biennial budgeting with the County's current financial management system. On the other hand, OMB, on behalf of the Executive, supports the concept of planning for biennial budgeting as part of the ABT project.

**ISSUE: Are all interested parties committed to the switch?**

At this early stage, no effort has been made to start building consensus for a move to biennial budgeting. Other entities have found, though, that buy-in by the Council, the Executive, independently elected officials, and management staff is essential to the successful conversion to something as major as biennial budgeting.

**ISSUE: Is the timing of the current annual budget process appropriate for a biennial budget process?**

Under the King County Code, the Executive must transmit the budget to the Council at least 75 days before the end of the year (KCC 4.04.040). The Council allows approximately six weeks for their analysis and adoption. This is typically a very intense six-week period for both the Council and for the staff. With a two-year budget to consider, is a six-week period sufficient?

The Charter amendment approved by the voters allows the Council to change the process and timeline for major budget tasks. The Council has the opportunity to change the timeline discussed above in order to allow additional time for Council review of the Executive's proposed budget in recognition of the fact that the budget is to cover twenty-four months rather than twelve.

**ISSUE: Would it make sense to do a biennial operating budget one year and a biennial capital budget the next year?**

This might address the timing issue addressed above. In the year that operating budgets are being considered, all attention could be focused on operations. Six weeks may be sufficient. The next year, the entire emphasis, except for the mid-biennium review of the operating budgets, could be on the capital budget. Alternatively, biennial budgeting could be implemented incrementally over a number of years.

However, having the operating budgets and the capital budgets on different timing cycles could be confusing to the various agencies. The agencies typically prepare their operating and capital budgets at the same time with the two being coordinated and interdependent. Therefore, the Council may conclude that it would be prudent to keep operating and capital budget processes on the same review cycle.

**ISSUE: What biennial period makes the most sense to begin biennial budgeting?**

In the summer/fall of 2005, Council members will be campaigning for re-election in response to the reduction of the Council from 13 members to 9. Subsequent Council elections would take place in the fall of odd-numbered years with either four or five seats up for election each time. Therefore, having 2007-08 as the first biennium would

mean that the major budget work would occur in the fall of the even-numbered years, beginning in fall 2006. On this cycle, budget work by the Council would not occur during a campaign season.

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