

CHAPTER 125.

[H. B. 193.]

BUDGET SYSTEM FOR CITIES OF THE FIRST CLASS.

AN ACT relating to the raising and expenditure of revenues by cities of the first class in the State of Washington, having a population of three hundred thousand or more, prescribing the manner of preparation, appropriation and administration of municipal budgets and emergency expenditures, limiting the expenditures of revenues and providing penalties for violations thereof.

Be it enacted by the Legislature of the State of Washington:

Terms
construed.

SECTION 1. The terms used in this act shall be construed as follows:

"City or
cities."

(a) The term "city or cities" shall mean and embrace all cities of the first class in the state of Washington having a population of three hundred thousand or more.

"Council."

(b) The term "council" shall mean and embrace the respective governing officials, city councils or city commissioners of such cities.

"Auditor."

(c) The term "auditor" shall mean the chief auditing officer, comptroller, auditor or clerk of such cities.

"Budget."

(d) The term "budget" shall mean a definite plan for the financing of the city government for a specified fiscal period.

"Item."

(e) The term "item" shall mean a specified sum to be paid for salaries, total of any amount authorized to be paid for any specified kind of labor, the total of any amount authorized to be paid for any specified purpose, or specified sums to be paid for each capital outlay in any department.

Estimates.

SEC. 2. On or before the tenth day of July of each year the heads of all departments shall submit to the finance committee of the city council an estimate of the probable expense of their several departments for the ensuing year.

If any officer or employe charged with the duty of preparing the estimates herein required, shall neglect or refuse to file the same at the time and in the manner herein prescribed, the council is hereby authorized to prepare the estimate for such department from the records of his office and other competent information; shall further be authorized to deduct from the salary of such delinquent officer, or employe, the sum of ten dollars for every day after the tenth day of July up to the time the estimates shall actually be filed: *Provided*, That the sum of fifty dollars shall be the total maximum penalty to be so imposed upon any individual officer or employe during any single year; and all such penalties shall be deducted from the next salary warrant due to such officer or employe upon notice to the auditor, by the council of the period of such delay.

Failure
to file;
penalty.

Such estimates shall be designated, grouped and assembled under classifications to be prescribed by the state auditor of the state of Washington, and shall be segregated as follows:

Classifi-
cations.

(a) Operating and Maintenance Expenses: This class of expenses shall cover in detail the salaries of every officer and employe, the amounts required for the upkeep and maintenance of the respective departments, the maintenance and repair of public streets or highways, buildings, and bridges and similar expenses.

Operating
and main-
tenance
expenses.

(b) Capital or Betterment Outlays: This class of expenditures shall embrace all amounts proposed to be expended for permanent improvements, such as the construction of or addition to every public building, highway or bridge, the acquisition of real estate, purchase of equipment, machinery and furniture, and all similar outlays representing a tangible asset: *Provided*, That the utilities of any city supported wholly by revenues derived from sources other than taxation, shall not be required to confine

Capital or
betterment
outlay.

Public
utilities.

their capital, betterment or emergency outlays to items provided in the budget.

Emergency expenditures.

(c) **Emergency Expenditures:** Except as provided in paragraph (b) above in addition to the various departmental estimates of Operating and Maintenance Expenses and Betterment Outlays, all cities may include in the budget an estimate for an appropriation for emergency purposes for the ensuing year, which appropriation together with any balance in such emergency fund shall not exceed one and one-half mills on each dollar of assessed valuation and shall not be expended except as hereinafter provided.

Revenues, other than taxes.

SEC. 3. In addition to the estimated amount required for the maintenance of the departments for the ensuing year, the council shall also prepare an estimate of the revenues, other than taxes, that are likely to accrue to the city, and the various amounts required to meet interest and redemption payments upon the debt of the city for the ensuing year and the net amount of surplus or deficit, as established at the close of the previous year from the official records. The auditor shall furnish the council such information as it requires in preparing this estimate.

Indebtedness ensuing year.

Consideration by council of estimates.

SEC. 4. Upon the proper assembling of the estimates of the various departments, the council shall, on or before the first Monday in September, proceed with the consideration of such estimates, during which consideration all persons interested shall be given an opportunity for a thorough and complete discussion of the items stated therein. The council shall, after such hearings and not later than the first Monday in September, adopt and cause to be published once each week for two successive weeks, a full and complete copy of such preliminary budget. Subsequent to such publication, and prior to the first Monday in October, the council shall further consider such estimates, at which hearings all per-

Hearings.

Publication preliminary budget.

sons interested shall be given an opportunity for discussion, and suggestions: *Provided*, That the council shall be without power to make any changes in said preliminary budget which would result in increasing the total amount allowed to each department as provided in said preliminary budget, but the council may make transfers as between the items contained therein for any department and reductions in any item or items in said preliminary budget.

Changes in preliminary budget.

SEC. 5. After the public hearings shall have been held, as provided in section 4 hereof, the council shall by proper action determine the changes that have been made in the preliminary budget as published, and, on or before the first Monday in October adopt as the final budget for the succeeding year the preliminary budget as so amended, and each and every city official or employe shall be limited in the making of expenditures and the incurring of liabilities to the amounts of such detailed budget items, except as otherwise provided in section 7 hereof.

Adoption of budget.

SEC. 6. Subsequent to the fixing of the annual tax levy, and not later than December 15th of each year, as provided in section 5 hereof, the council shall by ordinance or ordinances appropriate the specific amounts to the several departments as herein specified, and the several heads of departments, boards and officers shall thereafter be authorized to expend such sums so appropriated for the purposes stated in said ordinance in the proper administration of the city's affairs, subject at all times to such limitations or modifications as are herein provided: *Provided*, That the council shall at all times have the power, by ordinance, to revoke, recall or decrease the whole or any part of any unexpended item or items listed in the budget appropriation ordinance for maintenance or betterments for said year, and

Tax levy.

Appropriations.

also to make transfers as between items in the budget of any department.

Limit of
monthly ex-
penditures.

It shall not be lawful for any board, department, officer or employe having the power to incur, authorize or contract liabilities against the city, to incur, authorize, allow or contract for in any one month any expenditure or demand against any budget appropriation, which taken with all other expenditures, indebtedness or liability made or incurred for and during such month against such appropriation, shall exceed one-twelfth part of the amount of the respective appropriation for the fiscal year: *Provided*, That for any sudden or unforeseen demand, accident or seasonal expense, or any other expenditure the nature of which necessitates lump sum appropriations and payments, or whenever any material or supplies can be purchased to better advantage in larger quantities, the one-twelfth restriction may be suspended upon authorization by the council, or its finance committee, but the total appropriation for such item or items for any fiscal year shall never be exceeded.

Emergency.

Unexpended
appropriation.

If at the beginning of any month, any money remain unexpended in any appropriation, which might lawfully have been expended during the preceding month of the fiscal year, such unexpended sum or sums may be carried forward and expended in any succeeding month of such fiscal year, but not thereafter.

Enumeration
of
emergencies.

SEC. 7. Upon the happening of any emergency caused by fire, flood, explosion, storm, earthquake, epidemic, riot or insurrection, act of God or the public enemy, or for the immediate preservation of order or public health or for the restoration to a condition of usefulness of any public property the usefulness of which has been destroyed by accident, or in settlement of approved claims for personal injuries or property damages, exclusive of claims

arising from the operation of any public utility owned by the city or any other such happening that could not have been anticipated, or to meet mandatory expenditures required by laws enacted since the last budget was adopted, the council may by ordinance passed by three-fourths of all its members, authorize the expenditure of sufficient money from the emergency fund hereinafter established to meet the expenses or obligations so caused or imposed: *Provided further*, The council may, by ordinance passed by unanimous vote of all its members, appropriate from such emergency fund, an amount sufficient to meet the actual necessary expenditures of any department for which insufficient or no appropriations have been made due to causes which could not reasonably have been foreseen at the time of the making of the budget, all such ordinances shall clearly state the facts constituting such emergency and shall become effective immediately upon the approval or signing of same by the mayor, or the passage of the same over his veto as provided by the charter of any such city.

There is hereby established in every city an emergency fund, which shall be supported either by an appropriation, listed in the budget for the ensuing year, or by a transfer from time to time of sufficient money from the general fund, or any other fund not including bond or trust funds, of the city, whenever the necessity for emergency expenditures arises. Any deficit in the general fund, or any other fund, created by such transfer, shall be provided for in the next succeeding tax levy.

Emergency fund; how supported.

All emergency expenditures shall be paid for by the issuance of warrants chargeable against this fund, and no money accruing or transferred to this fund shall be withdrawn therefrom for any purpose or in any manner, except as herein provided.

Emergency warrants.

Unexpended
appropriations.

SEC. 8. All sums provided in the budget for operating and maintenance expenses of any department or activity, which shall remain unexpended or unencumbered at the close of the fiscal year except such sums as the council, by ordinance, shall designate, shall automatically revert to the surplus account of the city, and shall be applied to the reduction of the tax levy of the following year.

Any and all sums, provided in the budget for capital or betterment outlays, which shall remain unexpended or unencumbered at the close of the year, shall be reported at the beginning of the following year by the auditor to the council, which shall by proper ordinance, abandon such unexpended balances as it shall determine, and such unexpended balances shall be credited to the surplus account and applied to the reduction of the tax levy of the following year. The appropriations for all other capital or betterment outlays than those abandoned by said ordinance shall be carried forward and unless subsequently abandoned by the council, shall remain in full force and effect and shall be held available for the said items.

Legal
limit of
indebtedness.

SEC. 9. In computing the legal limit of indebtedness of any city, taxes levied for the purposes set forth in the budget shall not be considered an asset, but shall be deemed for such purposes to have already been pledged and expended for the items set forth in the budget: *Provided*, That all taxes levied for the redemption of bonds or warrants or other public debts, shall be deemed a competent and valid asset of the city to be considered in the calculations of the legal debt limitations.

Assets.

Liabilities
incurred
exceeding
appropriation
void.

SEC. 10. Except as provided in this chapter, it shall be unlawful for any public officer or employe of a city to contract any indebtedness, or incur any liability in any manner whatsoever, either for a purpose or object not provided for in the budget of such

city, or in excess of the amount appropriated for any specific item or items as set forth in such budget. All orders, authorizations, allowances, contracts, payments made or attempted to be made in violation of this act, shall be void and shall never be the foundation of a claim against the city.

Each and every elective and appointive officer or public official authorizing, auditing, allowing or paying any claims or demands against the city in violation of this act, shall be jointly and severally liable in person and upon their official bonds to the city of which they are officers, to the extent of any payments of such void claims.

All persons and officials shall be charged with notice of the financial condition of the city and the limitations imposed upon expenditures by the budget and claims against same.

SEC. 11. The state auditor of the state of Washington shall prepare the forms required by this act, and it shall be the duty of every auditor to install such forms and prepare the claim sheets, voucher and warrant registers or other records of their respective cities so as to accommodate and classify the revenues and expenses under the classifications recited in the budget, in order that a proper comparison may be had between the amounts listed in the budget and the actual expenditures made against same, and for the further purpose of facilitating the assembly of uniform statistical data of fiscal affairs of all cities in this state.

Auditor to supply forms.

SEC. 12. Any person violating any of the provisions of this act shall, in addition to any other penalty or liability provided herein, be guilty of a misdemeanor.

Penalty.

Passed the House December 19, 1925.

Passed the Senate January 5, 1926.

Approved by the Governor January 14, 1926.