

Comprehensive Financial Management Policies

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Purchasing Policy (coming soon)

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The City's Comprehensive Financial Management Polices serves as a Mayor and Council-approved framework for the financial planning, budgeting accounting reporting and other financial management practices. The purpose of these policies is to ensure the City operates in a prudent manner, using sound fiscal policies to ensure the safekeeping of the City's assets and provide the delivery of services to the community.

Director of Finance

1. The Director of Finance is designated as the City's Chief Financial Officer and City Treasurer.

2. The Director of Finance is designated as the City's Auditing Officer pursuant to RCW 42.22.080 and as such will be responsible for the review of all claims and certification that the goods have been received or the services rendered and that the claims are valid and should be paid by the City.

City Funds

The City shall utilize "governmental fund accounting" as the organizational structure for its financial activities. The following funds have been established for budgeting, accounting and reporting.

OPERATING FUNDS

1. The *General Fund* is the general operating fund of the City. It accounts for all financial resources and transactions, except those required to be accounted for in another fund.

2. The *Street Fund* is required by state law to account for State-shared Motor Vehicle Fuel Tax revenue distributed on a per capita basis for transportation maintenance or capital improvements (RCW 47.24).

3. The *Surface Water Utility Fund* accounts for fees charged to all property owners for maintenance to the City's surface water drainage system (Ord. 459, Section 10 (1990)).

4. The *Sewer Utility Fund* accounts for collections from property owners connected to the City's sewer system. Expenditures include payment to King County and for City sewer system operating costs (Ord. 106, Section 5 (1966)).

5. The *Public Works Contract Fund*[1] – accounts for costs related to the agreement to provide services to Kenmore or other agency.

[1] The Public Works Contract Fund (Fund 450) was created administratively as part of the 2002 budget cycle, as referenced on page 152 of the 2002 City of Lake Forest Park Budget Book.

6. The *Transportation Benefit District* Fund accounts for revenues authorized by RCW 36.73 and supports the Street Overlay program, snow removal and street sweeping. It can be used to support local and regional transportation plans (Ord. 1003 (2009)).

~~6.~~7. The *Traffic Safety Fund* accounts for fees collected from all traffic safety cameras except traffic safety cameras used in school speed zones and used to detect stoplight violations. Funds are used to fund traffic safety activities (LFPMC 3.87).

DEBT SERVICE FUNDS

~~7.~~8. Periodically the City may administratively create one or more debt service funds to pursuant to a debt issuance. Any such funds are to be created administratively, are governed by the agreement necessitating the fund, and if created pursuant to a debt issuance approved by the City Council, do not require separate council action.

RESERVE FUNDS

~~8.~~9. The *Council Contingency Reserve Fund* is established per RCW 35A.33.45 for capital purchases or for operating shortfalls due to unforeseen cost increases or unanticipated revenue losses (~~Ord. 660 (1995)~~LFPMC 3.68).

10. The *Budget Stabilization Fund* is established as a subsidiary fund to the General Fund and accounts for transfers from the General Fund in accordance with Ordinance No. 1071. The City Council may authorize transfers during Biennial Budget adoption or Mid-biennial Adjustment to the Adopted Budget between the parent and subsidiary fund to mitigate fluctuations in General Fund revenues and expenditures in order to provide for uninterrupted public services (~~Ord. 1071 (2014)~~LFPMC 3.88).

~~9.~~11. The *Strategic Opportunity Fund* is established as a special revenue reserve fund for revenue approved by the City Council designated for strategic, time-sensitive, or opportunistic municipal initiatives, including real property acquisitions, capital project match funding and project development. Revenues may include General Fund transfers, interfund loans, capital contributions, and state or federal grants. Expenditures and interfund financing from this fund shall be authorized by the City Council during budget adoption or by separate Council action (LFPMC 3.90).

CAPITAL FUNDS

~~10.~~12. The *Capital Improvement Fund* accounts for the excise tax on the sale of real property within the City, the Parks Levy, grants and other sources. Real Estate Excise Tax (REET) proceeds are restricted pursuant by State law. Expenditures from the Fund are for facility and parks capital projects (RCW 82.46.035).

~~11.~~13. The *Capital Facilities Reserve Fund*, established by Ordinance No. 1051 (2012), is for the purposes of providing a reserve account for anticipated major

maintenance and repairs to City Hall and the Public Works Facility. Transfers to the account for City Hall maintenance and repairs shall be from REET. Transfers to the account for Public Works facility maintenance and repairs shall be made from various funds in rough proportion to the annual percentage of maintenance-worker hours dedicated to the work supported by those various funds. (LFPMC 3.85)

~~12.~~14. The *Transportation Capital Fund* accounts for REET and other sources for transportation capital projects (RCW 82.46.035).

~~13.~~15. The *Surface Water Capital Fund* accounts for transfers of storm water fees for capital improvements to the City's surface water drainage system (~~Ord. 459, Section 10 (1990)~~LFPMC 3.84).

~~14.~~16. The *Sewer Capital Fund* accounts for transfers from Sewer rates for capital improvements to the City's Sewer Capital Fund (~~Ord. 927 (2005)~~LFPMC 3.70).

17. The *Vehicle~~/~~ and Equipment Repair and Replacement Fund* accounts for the expenditures for the repair, maintenance and replacement of major City assets such as ~~for the City's~~ vehicles, machinery, and major equipment ~~the City's information technology equipment and licensing, and Fixed Assets~~ (~~Ord. 659 (1995)~~LFPMC 3.64).

~~15.~~18. The *Information Technology Fund* accounts for expenditures for the cost, maintenance, and operation of information systems equipment including hardware, software, and professional services as well as equipment replacements and larger technology projects (LFPMC 3.86).

AGENCY FUNDS

~~16.~~19. Periodically the City may administratively create one or more agency funds to support regional coalitions of two or more local entities where the City has agreed to act as the finance fiduciary. Any such funds are to be created administratively, are governed by the agreement creating the coalition, and if created pursuant to an interlocal agreement approved by the City Council, do not require separate council action.

Financial Planning and Budget

1. The Director of Finance shall develop a financial planning calendar that will provide for the timely update of the six-year financial forecasts for all City funds to adopt the City's biennial budget and Capital Improvement Plan. The six-year forecast will also be updated during the mid-biennial budget review and adjustment.

2. A six-year financial forecast shall be prepared and updated on a biennial basis for all City funds as a multi-year financial planning tool. The financial forecast shall be integrated in the City's biennial operating capital budgeting process.

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3. The City will use prudent revenue and expenditure assumptions in the development of the six-year financial forecast and budgets for all City funds.

4. The City budget will implement City Council adopted goals and policies, long-range plans, the service choices for the community and revenue allocation policies of the Council.

5. When budgeting for the General Fund, the Recommended Biennial Budget proposed by the Mayor shall be a two-year balanced budget. For the purposes of this policy, a balanced budget is defined as total biennial resources (fund balance, plus projected revenue) that is greater than or equal to approved biennial expenditures, plus the calculated minimum fund balance, if applicable, for each fund. The published budget overview will identify whether the adopted budget is balanced.

6. The relationship between the General Fund and Capital Improvement Plan (CIP) budgets will be incorporated into the financial forecasts and the biennial Budget Process. Maintenance and operating costs associated with new CIP projects shall be estimated and included for each project within the CIP. Such costs should be included in the operating budgets when the projects are complete.

7. The City shall prepare and adopt its budget on a biennial basis and shall comply with the provisions of state law with respect to the biennial budget process. The adopted biennial budget will include one revenue and one expenditure amount for the biennium for each of the City's funds; budget appropriations unspent in the first year of the biennium will automatically carry over to the second year of the budget unless adjusted by an ordinance adopted by the City Council. The Director of Finance shall be responsible for the management of the City's biennial budget development process. The Director of Finance shall provide timely and accurate budget monitoring reports to Department Directors on a regular basis and quarterly budget monitoring reports to the Budget and Finance Committee.

8. Department Directors have primary responsibility for the development, implementation, management, and monitoring of their respective budgets in accordance with direction from the Mayor. Any significant variances from the adopted budget shall be reported by department directors to the city administrator in a timely manner.

9. The biennial budget process and materials shall be developed in a manner to provide information in a readily understandable manner, and to the greatest extent possible avoid jargon, acronyms, and the like.

10. One-time resources shall be identified and should be used to support one-time expenditures. Ongoing expenditures should be supported by ongoing resources.

11. Budgeted staff positions (part-time, full-time, and temporary) will be included in the biennial Budget.

12. In accordance with State law, the City Council will adopt the biennial budget at the fund level. The Mayor is authorized to transfer budgeted amounts within any fund.

13. The City shall exhaust restricted funds to finance uses authorized by State or local law before General Fund resources are used to finance those activities. Restricted fund balance reserves should not be exhausted below the minimum fund balance reserve required by this policy.

Fund Balances and Reserves

1. Operating funds of the city have a minimum fund balance target equal to 30 days operating expense or eight percent (8%) except as noted below[2].
   - General Fund, 60 days operating expense or 16 percent of total estimated current year revenue or expenditures, whichever is greater
   - Street Fund, 60 days operating expense or 16 percent of total estimated current year revenue or expenditures, whichever is greater
   - Sewer Fund, 60 days operating expense or 16 percent of total estimated current year revenue or expenditures, whichever is greater
   - Surface Water Utility Fund, 60 days operating expense or 16 percent of total estimated current year revenue or expenditures, whichever is greater

   Current year revenue is defined as total estimated (budgeted) resources less beginning fund balances and one-time revenues. Current year expenditures is defined as total estimated (budgeted) expenses. Projected variances from the minimum fund targets shall be disclosed during the biennial budget process or during the current year if unanticipated circumstances occur that negatively impact current year revenue and/or expenditure projections. Fund Balance targets may be modified by Council action.

   Commented [JH1]: SCR – Minus one-time expenses?

2. The Council Contingency Reserve should be maintained in accordance with RCW 35A.33.145 to cover unforeseen issues. (LFPMC 3.68)

3. The Budget Stabilization Fund should be maintained to provide for General Fund operating reserves in accordance with ~~Ordinance 1071~~LFPMC 3.88.

~~3.~~4. The Strategic Opportunity Fund should be maintained in accordance with LFPMC 3.90.

Accounting

1. The City will maintain an accounting and financial reporting system that fully meets governmental accounting professional standards and State of Washington

[2] Operating funds, for the purpose of the minimum fund balance target, is any fund with payroll expense coded directly to the fund in the year that the target is calculated.

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budgeting, accounting, and reporting requirements as established in the cash basis Budgeting Accounting and Reporting System (BARS) Manual.

2. Financial procedures shall be maintained to assure appropriate internal controls are in place to protect city assets. This includes recording all purchased fixed assets in the fixed asset inventory system at the time of purchase. This enables the City to have timely and accurate financial reporting of its assets.

3. The City will report the results of operations using the cash basis of accounting allowed by the State for reporting.

Financial Reporting

1. The City shall prepare and submit in a timely manner an annual financial report to the Washington State Auditor's Office in accordance with the standards established for such reports.

Revenues

1. The City will strive to maintain a diversified mix of revenues to provide for continuity and predictability of resources and to minimize the impacts of periodic economic cycles.

2. Where the City has authority to set fees and charges, all such fees and charges should be adjusted to reflect inflation and cost of services and should be reviewed and reported to the Budget and Finance Committee on a periodic basis.

3. Grant revenue shall be included in the financial forecasts and biennial budgets when it is deemed likely by staff that the City will receive the grant award. Should planned or budgeted grant revenue not be received, offsetting expenditure reductions shall be implemented or alternative revenue sources shall be identified.

4. Investment Interest shall be credited to the appropriate City funds based on the monthly cash balances.

Expenditures and Contract Management

1. The City shall implement procedures for purchasing, credit card usage, and contract management consistent with the policy framework established in this section.

2. The Department Directors have primary responsibility for purchasing and expenditures for their respective budgets in accordance with the adopted biennial budget. Any significant variances from the adopted budget shall be reported by department directors to the City Administrator in a timely manner.

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3. Subject to competitive bidding requirements, the administration/staff is granted the authority to execute contracts for goods and services up to a contract value of $50,000 for Public Works and $30,000 for all others. Staff is allowed to exercise this authority only when the purchase is consistent with the type of acquisition routinely and regularly included in a line item in the current year adopted budget. Contracts or services that could reasonably be defined as carrying out policy provisions in the budget are not subject to the aforementioned contracting authority.

4. In the case of significant damage or threat to public infrastructure or public facilities that require immediate action to prevent significant future loss or threat to property or to public safety and meets the definition of "emergency" in RCW 39.04.280(3), a contract of up to $100,000 is authorized. Reasonable attempts will be made to follow the Small Works Roster process authorized in Resolution No. 617.

5. City claims payments will be reviewed by a member of the City Council (Currently the Budget and Finance Committee Chair). The Councilmember review is intended to provide for a general, high-level review of claims to assure that adequate documentation is being maintained and the initiating department along with the Finance Department are doing appropriate due diligence in their review activities.

6. The City will seek to optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.

Debt

1. Debt may be utilized to address short-term cash flow needs. Debt may also be used to finance significant capital or other obligations. The City Council is required to approve the issuance of debt. Debt will not be used to fund long-term revenue shortages.

2. When evaluating the use of non-voted (councilmanic) debt and the associated debt service obligations, an analysis shall be performed to determine the City's ability to make debt service payments, taking into account revenue fluctuations associated with periodic economic cycles. Debt may be considered when there is sufficient projected discretionary revenue to service the debt.

3. Voted and non-voted (councilmanic) debt will be used prudently in a manner to avoid any adverse impact on the City's credit rating or ability to issue subsequent or additional debt.

4. Upon the issuance of any debt, the City will establish the appropriate procedures to assure compliance with bond/debt covenants and applicable federal, State and local laws, policies and regulations.

Investments

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1. Purpose: ~~To~~ Invest the City of Lake Forest Park funds in a manner which will provide the highest investment return consistent with a high degree of security while meeting the necessary cash flow demands of the City and conforming to all state statutes governing the investment of public funds.

2. ~~Investment~~ Objective: The purpose of this document is to identify those funds that are considered available for investment, to invest funds to the fullest extent possible, and to formalize the investment-related activities to assure the highest return with maximum security. In order of priority to invest the City's funds are the following: safety, liquidity, and return on investment (yield).
    a. Safety: Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Diversification is a key component to ensuring the safety of the City's investment portfolio.
    b. Liquidity: The City's investments will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
    c. Return on Investment (yield): The City's investment portfolio shall be designed with the objective of attaining a market rate of return given the City's risk constraints and cash flow requirements.

3. Delegation of Authority & Responsibility: The Designated Investment Officer will be the Finance Director. The Budget & Finance Committee must approve all investment strategies that are eventually implemented by the Finance Director. The Alternative Investment Officer in the event the Finance Director position is vacant, or in the event that the Finance Director is absent and/or unavailable to implement a Committee decision, will be the City Administrator. The Alternate Investment Officer will be required to follow the same guidelines as the Designated Investment Officer.

4. Authorized Investments types for Diversification:
    a. Washington State Local Government Investment Pool (LGIP) – Max 100%
    b. City's designated Bank – Max 100%
    c. Government Agency Bonds – Max 60%, Target 50%

    Diversifying funds using a balance of both short and longer term investment types enhances the investment portfolio of the City. For the longer term investments the maturity dates will be strategically laddered not to exceed a 5 year maturity date.

5. Reporting: The Finance Director, or designee, shall provide the Budget & Finance Committee a quarterly investment report for regular reporting.

Assets

1. Fixed assets are defined as land, buildings, equipment, and improvements to existing fixed assets costing more than $5,000 and having a useful life in excess

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of one year. Assets with a value or cost under $5,000, but more than $500 are not defined as fixed assets and are subject to the Small and Attractive Asset Policy.

2. Small and Attractive Assets are safeguarded by a Small and Attractive Asset Policy designed to ensure controls over items that might not be noticed immediately after disappearance. The Policy maintains accountability for items that do not meet the criteria of a fixed asset. In certain cases the Administration may classify items below the threshold as small and attractive, despite having a value or cost below the threshold.

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Appendix

CITY OF LAKE FOREST PARK
CREDIT CARD POLICY

Purpose

The purpose of this policy is to establish guidelines and rules for the use of credit cards by City officials and employees. This policy shall be interpreted to provide for the use of credit cards by authorized persons to the fullest extent allowed by law including RCWs 43.09.2855 and 42.24.115.

Definitions

As used in this policy, the term "credit card" means a card or device issued under an arrangement pursuant to which the issuer (credit card company) gives to the card holder (the City) the privilege of obtaining credit from the issuer. Credit cards include cards imprinted with a specific named individual user, cards imprinted with a specific named city department, and cards issued for use by the City with a specific vendor.

Issuance, use and control of credit cards.

A. The City adopts the following system for the issuance, use and control of credit cards by City officials and employees. The Finance Director is authorized to obtain City credit cards under the following system, which provides for the distribution, authorization, control, credit limits and payment of bills through the use of the credit cards by City officials and employees.

    1. Issuance and Use. Credit cards may be issued to the City of Lake Forest Park and used by authorized City officials and employees for purchasing goods, services, supplies and other items from vendors; incurring registration, training or travel expenses in connection with the performance of their duties on behalf of the City. Each card imprinted with the name of an individual must be “signed for” by that individual using the City’s card user agreement.
    2. Authorization and Control. Upon authorization from the Finance Director or designee, City officials and employees may obtain a credit card from the Finance Director who shall maintain a ledger of individuals and departments receiving credit cards, including the date the card was received. The Finance Director shall implement accounting controls to promote the proper use of credit cards and reduce the risk of loss or misuse.
    3. Credit card limits shall be set administratively for each card, reflecting among other things purchases expected to be made during a typical billing cycle and additional credit capacity needed in an emergency or other contingency.
    4. Payment of Bills. The Finance Director shall establish a procedure for the prompt payment of all credit card bills on or before the due date.

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5. Unauthorized Charges. No official or employee shall use the City-issued credit card for non-City business purposes. No charge(s) shall exceed amounts established and available in the City budget.

6. Prohibited Uses. Cash advances on credit cards are prohibited.

B. Expenses incident to authorized travel may be charged to a City-issued credit card provided the official or employee returns to the City with credit card receipts in accordance with the City travel policies and procedures.

C. Failure to provide detailed documentation as required by the policy will result in the user being responsible for the charge. If certain credit charges are disallowed as a result of audit or City policy, such charge must be repaid to the City with the City having the right to withhold funds payable to the official or employee up to the amount of the disallowed charge including interest at the rate charged by the credit card company. Misuse of a City credit card may result in disciplinary action up to and including termination and legal action.

D. The Finance Director is authorized to revoke the use of any credit card issued and immediately require the surrender of the credit card. The Finance Director may deliver a revocation order to the credit card company with the City not being liable for any future costs incurred after the date of revocation. Credit cards are to be returned to the City immediately upon ending employment.

E. The Finance Director is authorized to adopt any additional rules or policies necessary to implement the provisions of this policy.

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