



# **FINANCIAL MANAGEMENT POLICY**

## TABLE OF CONTENTS

### 1.0 INTRODUCTION AND OBJECTIVES

### 2.0 RESERVES AND FUND BALANCE

- 2.1 Fund Balance Definitions
- 2.2 Fund Type Definitions
- 2.3 Reserve Level Target – Governmental Operating (General Fund, Reserve Fund, and Other Managerial Funds)
- 2.4 Reserve Level Target - Governmental Operating (Special Revenue)
- 2.5 Reserve Level Target – Governmental Capital
- 2.6 Reserve Level Target – Enterprise Funds
- 2.7 Reserve Level Target – Internal Service Funds
- 2.8 Replenishment of Reserves
- 2.9 Excess Reserves

### 3.0 REVENUES

- 3.1 Revenue Objectives
- 3.2 Fee Schedule
- 3.3 Cash Management
- 3.4 Revenue Distribution to l Funds
- 3.5 Grants Management
- 3.6 Donations & Gifts

### 4.0 EXPENDITURES & PROCUREMENT

- 4.1 Expenditure Objectives
- 4.2 Efficiency
- 4.3 Purchasing Standards
- 4.4 Purchasing Authorization & Accountability
- 4.5 Level of Purchasing & Commitment Authority
- 4.6 Purchasing Controls & Methods
- 4.7 Exemptions to Purchasing & Commitment Thresholds
- 4.8 Personnel Expenditures

### 5.0 BUDGET

- 5.1 Budget Objective
- 5.2 Budget Principles
- 5.3 Budget Scope & Basis
- 5.4 Balanced Budget Requirement
- 5.5 Internal Cost Allocation
- 5.6 Budget Amendments
- 5.7 Service Levels and Funding
- 5.8 Maintenance and Replacement
- 5.9 Enterprise Fund Budgets
- 5.10 Budget Reporting

### 6.0 CAPITAL BUDGET

- 6.0 Objective
- 6.1 Capital Definitions
- 6.2 Capital Improvement Plan (CIP)
- 6.3 CIP Criteria & Ranking
- 6.4 Project Source & Identification
- 6.5 CIP Planning Process
- 6.6 CIP Progress & Reporting

### 7.0 DEBT MANAGEMENT

- 7.1 Debt Purpose
- 7.2 Debt Practices
- 7.3 Bond Terms & Methods
- 7.4 Bond Rating
- 7.5 Financial Guarantees

### 8.0 INVESTMENTS

- 8.1 Policy and Scope
- 8.2 Prudence
- 8.3 Objective
- 8.4 Delegation of Authority
- 8.5 Ethics and Conflicts of Interest
- 8.6 Authorized Financial Dealers and Institutions
- 8.7 Authorized and Suitable Investments
- 8.8 Safekeeping and Custody
- 8.9 Diversification
- 8.10 Reporting

### 9.0 LONG-TERM FINANCIAL PLANNING

- 9.1 Model Objective

### 10.0 AUDITING, ACCOUNTING & INTERNAL CONTROL

- 10.1 Internal Control
- 10.2 Accounting Write-offs
- 10.3 Petty Cash and Bank Account Controls
- 10.3 Capital Asset Threshold
- 10.4 Inventory of Small and Attractive Items
- 10.5 Surplus Assets

### 11.0 RISK MANAGEMENT

## **1.0 INTRODUCTION AND OBJECTIVES**

The financial management policy of the City of Snoqualmie is established by the City Council. The policy is designed to provide guidance to all stakeholders whether they be directly involved in financial processes, internal control oversight, or any financial transaction. The financial management policy is intended to serve as a blueprint to achieve fiscal stability required to accomplish goals and objectives in the city's Strategic Plan, Comprehensive Plan financial elements, and all master plans.

### **1.1 Policy Objectives**

The City Council sets forth the authorities, responsibilities, and accountability requirements of those participating in the operations of Snoqualmie City government at all levels of the organization and endeavors to:

- Set forth financial principles
- Reduce financial risks to withstand the ups and downs of local and regional economic environments
- Maintain appropriate financial capacity for present and future levels of service
- Ensure the legal use of financial resources through an effective system of internal controls
- Provide financial transparency to the public

#### **1.1.1 Financial Procedures**

Financial management policy is guideline for financial decision making; whereas financial procedures are separate and cover the detailed steps needed for the administration and management to accomplish business processes. The Finance Director will establish financial procedures to complement policy and align the day-to-day work performed by all city staff.

## **2.0 RESERVES AND FUND BALANCE**

Reserves provide the City of Snoqualmie with options to respond to unexpected issues and provide a buffer against minor fiscal challenges. It is the intent of the City to provide a stable financial environment for which its residents can depend on a consistent and quality level of service and for planned future expenditures. The Finance Director is responsible for monitoring reserve levels and reporting current and projected reserves during each budget development cycle.

### **2.1 Fund Balance Definitions**

As defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City will reserve funds per the following:

#### **2.1.1 Non-spendable Fund Balance**

Inherently non-spendable portions of net resources that cannot be spent because of their form or portions of net resources that cannot be spent because they must be maintained intact.

#### **2.1.2 Restricted Fund Balance**

Externally enforceable limitations, on the use of funds, that are imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed

will be designated as restricted.

### **2.1.3 Committed Fund Balance**

Self-imposed limitations, on the use of funds, that are set in place prior to the end of a period. Limitations imposed by the City Council that require formal action at the same level to remove. Capital Project fund balances typically will consist of funds designated by City Council for future capital improvement projects.

### **2.1.4 Assigned Fund Balance**

Limitations resulting from intended use that is established by the highest level of decision making or intended use established by the City Council for a specific purpose. The resources for these funds may be acquired through the budgeting process or funds that are deposited with the city for specific purposes. Special Revenue fund balances typically consist of funds assigned by other governmental agency for specific use or by the City Council for specific use.

### **2.1.5 Unassigned Fund Balance**

Residual net resources that make up the fund balance in the general fund more than non-spendable, restricted, committed, and assigned fund balance or excess of non-spendable, restricted, and committed fund balance over total fund balance.

## **2.2 Fund Type Definitions**

As defined by the Budgeting, Accounting, and Reporting System (BARS) Manual of the Washington State Auditor's Office.

### **2.2.1 General Fund**

Used to account for and report all financial resources not accounted for and reported in another fund.

### **2.2.2 Reserve Fund**

Used to set aside certain resources within the General Fund in order to provide support to the General Fund during a financially challenging period. In addition, the Reserve Fund helps to provide visibility over the amount set aside.

### **2.2.3 Other Managerial Funds**

Used to set aside certain resources within the General Fund in order to provide a higher degree of control and visibility over those resources.

### **2.2.4 Special Revenue Funds**

Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

### **2.2.5 Capital Project Funds**

Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of capital facilities or other capital assets.

### **2.2.6 Enterprise Funds**

Used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: (1) Debt backed solely by a pledge of the net revenues from fees and charges, (2) legal requirement to recover cost, (3) policy decision to recover cost.

### **2.2.7 Internal Service Funds**

Use to report any activity that provides goods or services to other funds, departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

## **2.3 Reserve Level Target and Fund Balance – Governmental Operating (General Fund, Reserve Fund, and Other Managerial Funds)**

A healthy unassigned fund balance is needed to provide cash flow to pay expenditures when due and allows for cash flow while the city waits to receive its tax collections and shared revenues. The unassigned fund balance is also a security against unforeseen changes or needs, i.e., natural disasters, loss of state shared revenues, etc.

### **2.3.1 Reserve Fund**

The City of Snoqualmie shall establish a separate fund for reserves assigned or committed to the General Fund. Reserves may only be used with approval of the City Council. The fund balance carried annually within the Reserve Fund (i.e., Reserve Level Target) should equal between 15-20% of annual ongoing General Fund expenditures.

### **2.3.2 Conditions for Using General and Reserve Fund Balances**

The City shall endeavor to avoid the appropriation of fund balance for ongoing expenditures. If at any time the utilization of fund balance to pay for ongoing expenditures is necessary to maintain the quality or a defined level of service, an explanation of the circumstances for the utilization of fund balance and demonstration of strategy through the long-term financial model on future fund balance will be deliberated by the City Council.

### **2.3.3 Other Managerial Funds**

The fund balance carried annually within managerial funds may equal between 15-20% of annual operating expenditures.

## **2.4 Reserve Level Target – Governmental Operating (Special Revenue Funds)**

The fund balance that accumulates within a Special Revenue Fund must be used in accordance with the restrictions placed on the revenue and will be monitored continuously to ensure compliance. The fund balance carried annually within special revenue funds, except for the ARPA Covid Local Recovery Fund, may equal between 15-20% of annual operating expenditures.

### **2.4.1 Drug Enforcement Fund**

As defined by Ch. 69.50.505 RCW, SMC 3.30, and an interlocal agreement between the City and County Drug Task Force, law enforcement asset seizure funds shall be used for payment of all expenses of the investigation that led to the seizure, including the proceedings for forfeiture and sale, expenses of seizure, maintenance of custody, advertising, actual costs of prosecuting, city attorney and court costs. Funds should also be used in accordance with city code for public safety purchases.

## **2.5 Reserve Level Target – Governmental Capital (Capital Project Funds)**

The fund balance carried annually within capital project funds should equal one and a half times (1.5x) total annual debt service.

### **2.5.1 Real Estate Excise Tax (REET)**

The Real Estate Excise Tax (REET) is levied on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure

a purchase. As defined by Ch. 84.46.035 RCW, the City of Snoqualmie is authorized to levy REET and use in accordance with state law. REET revenues shall be allocated towards capital projects as defined in the six-year adopted Capital Improvement Plan (CIP) and should be leveraged towards debt service obligations.

## **2.6 Reserve Level Target - Enterprise Funds**

It is the goal of enterprise funds to cover the cost of operations, capital improvements and maintenance, and debt service while maintaining a financially healthy enterprise over time. The City will establish utility rates and capital connection fees that are structured to meet several financial requirements. The Enterprise fund balance financial indicators are as follows:

- 2.6.1 Capital reserves:** as defined within the most recent utility rate study.
- 2.6.2 Operating reserves:** equal to 90 days of operating expenditures for water, wastewater, and stormwater .
- 2.6.3 Debt service reserves:** as defined by bond covenants or equal to the amount needed to pay for one and a half times (1.5x) total annual debt service.
- 2.6.4 Debt coverage ratio:** net revenues (operating revenues over operating expenditures) equal to one and half times (1.5x) total annual debt service, in support of a strong city bond rating.

## **2.7 Reserve Level Target – Internal Service Funds**

It is the goal of internal service funds to cover the cost of operations, annual maintenance, and the replacement of certain capital assets on a lifecycle such as network servers or vehicles. The fund balance carried annually within an internal service fund should equal between 15-20% of annual operating expenditures, plus an amount that adequately accounts for the City's preferred financial method to replace all capital assets at the end of their lifecycle/useful life.

## **2.8 Replenishment of Reserves**

Should assigned fund balance or reserve targets fall below stated thresholds, **the City will strive toward regaining the minimum threshold** and forecast the timing of the unassigned fund balance improvement within a long-term financial model.

## **2.9 Excess Fund Balances**

Fund balances above the targeted reserve levels should be used for new expenditures, with emphasis on one-time uses that achieve future operating cost reductions, capital asset investments with a long-term benefit or prepaying existing debt. Use of excess fund balance above a reserve level target of 20% or the reserve level target as specified under sections 2.5 and 2.6 may be determined by the Administration subject to the approval authority of Council as expressed in other sections of this Financial Management Policy.

# **3.0 REVENUES**

## **3.1 Revenue Objectives**

The city will maintain a diversified and stable revenue system to shelter it from short-term fluctuations.

- 3.1.1 Fees** may be set at levels sufficient to cover the entire cost of service delivery.

Service delivery costs may be subsidized, as Council deems appropriate.

All utility enterprise funds shall be self-supporting, generating enough revenue to pay for all operating, debt, and capital costs. Utility rate studies will be conducted periodically and should divide costs equitably among customer classes per benefit and cost of service. If rates are set that subsidize one class of customer at the expense of another, this action should be taken in support of explicit City policy, or a plan should be put into place to bring customer classes back into alignment with their respective cost of service.

### **3.2 Fee Schedule**

Charges and fees, including utility rates, should be reviewed, and updated periodically based on factors such as impact of inflation, other cost increases, adequacy of coverage of costs, and current competitive rates.

### **3.3 Cash Management**

The City shall maintain a cash management program, which includes collection of accounts receivable, disbursement of funds, and prudent investment of available idle cash. Deposits and cash receipting practices must be adhered to, by all Departments and at all City Facilities per Ch. 43.09.240 RCW. Only authorized personnel may accept cash receipts from customers. The Finance Director is responsible for the strict enforcement of internal control, deposit of collections and oversight on all changes to revenue items in the financial system.

### **3.4 Revenue Distribution to Funds**

- a) Sales tax is a major revenue source of the City. Construction sales tax shall be recorded within capital project fund sources. All other sales tax revenue shall be recorded within the General Fund.
- b) REET tax should be recorded within capital project fund sources, except for the allowance for street maintenance operations determined by the City Council which should be recorded to the general fund.
- c) Utility taxes are recorded within the General Fund except for the portion apportioned to the non-utility capital fund as per Ordinance 1135.

### **3.5 Grants Management**

Grant funding may significantly leverage City resources to provide services, equipment and capital projects that would otherwise be unaffordable. The city is committed to pursuing grant funding as an appropriate funding source.

### **3.6 Donations & Gifts**

All donations of money or property donated, devised, or bequeathed to the City, as per Ch. 35.21.100 RCW and Ch. 35A.11.040 RCW, shall be presented to the City Council for approval. The City Council delegates approval and acceptance of donations of up to \$10,000 to the Mayor.

#### **3.6.1 Substantial Gifts**

The City of Snoqualmie seeks to recognize donors who, through a distinguished effort or substantial financial gift, wish to support a city facility or structure. For example, structures may include pavilions, shelters, plazas, real estate to be used for parks, trails or open space, interpretive areas, or active recreation; or other large-scale projects as discussed with the Advisory Boards and City Council. The following guideline will be used for recognizing donations for amenities or projects, in addition to defining the period in which the donation or gift will be received by the city. All proposed facility or structure naming is determined

by the City Council.

For the purposes of this policy, “Substantial Financial Gift” is determined by the City Council based on estimated cost of:

- 1) New construction, remodeling, or renovation
- 2) Developing a new real property, such as park buildings, structures, or real estate
- 3) Replacement of an existing, unnamed facility or landmark that requires substantial renovation at the time of the gift.

## **4.0 EXPENDITURES & PROCUREMENT**

### **4.1 Expenditure Objectives**

The City of Snoqualmie endeavors to connect expenditures to a fundamental level of stewardship by committing to a level of expenditures that are sufficient to ensure the on-going health, safety, and welfare of its residents. Operating expenditures, within funds, must be supported by the operating revenues generated by that fund. Expenditures will not expand beyond the City’s ability to pay for them with current revenues.

The objectives of the expenditure guidelines are:

- To obtain supplies, equipment, and services as economically as possible and that are best suited to the specific departmental needs.
- To support Snoqualmie businesses by contracting for goods and services within the community subject to meeting other expenditure guideline objectives as per Ch. 39.04.190 RCW.
- To enhance service methods that increase efficiency and effectiveness of the delivery of city services through technology improvements.
- To improve the speed of delivery to departments by predetermining, through contracts or other appropriate means, the sources of supply before the actual needs.

### **4.2 Efficiency**

To ensure compliance with all applicable policies and regulations of the City, the State, and Federal Government, the City will make efficient use of limited resources and will continually look for and implement cost effective and reliable methods of delivering services. The Administration will develop service delivery changes that are needed to respond to budget shortfalls using system-wide and productivity measures. Opportunities should be found to improve efficiencies by pursuing a range of productivity-enhancing techniques such as:

- Analyzing systems and procedures to remove unnecessary requirements
- Evaluating new technologies and capital investments
- Establishing a systematic, ongoing process for periodic formal reviews of operations
- Maintaining the right balance between centralization and decentralization in managing the City support functions

### **4.3 Purchasing Standards**

All employees of the City shall comply with the City of Snoqualmie Code of Ethics, State Law, and Federal statutory requirements regarding purchase of materials or services. The following practices are specifically forbidden so as not to create a conflict of interest or potential for conflict of interest, including but not limited to:

- Using information available to an employee solely because of their position for personal



profit, gain, or advantage. An employee should recuse themselves from the appearance of conflict of interest

- Directly or indirectly furnishing estimating services, or any other services or information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on, a contract.
- Using their position or status in the city to solicit business of any kind directly or indirectly for private use or to obtain supplies and equipment at special discounts or with special concessions from any vendor who sells or solicits sales to the city.

#### **4.4 Purchasing Authorization & Accountability**

The Administration is responsible for Procurement and purchasing and failure to follow guidelines may result in disciplinary action, loss of purchasing privileges and a personal liability for purchases.

##### **4.4.1 Authorized Purchasers**

Authorized staff are those City employees who have been expressly authorized in writing by their department director and approved by the Finance Director, to purchase materials, supplies, and equipment (including technology services, systems, or equipment) with the authorized employee's discretion and best judgement, within the Purchasing and Contract Commitment Threshold limitations in section 4.5.2. A manager, department director, Finance Director, City Administrator or Mayor may reduce or revoke these privileges at any time.

##### **4.4.2 Auditing Officer**

Pursuant to Ch. 42.24.080 and Ch. 42.24.180 RCW, claims presented for payment to the City must be in writing, itemized and audited by the Auditing Officer. The Finance Director or a Financial Operations Manager are designated as City of Snoqualmie Auditing Officer(s). Department managers will be responsible for ensuring invoices meet this requirement and provide them to the Finance department for internal audit and prompt payment.

###### **4.4.2.1 Claim Reporting**

The Finance Director or a Financial Operations Manager shall prepare a Claims Report to the City Council for their approval and shall present the Claims Report for preliminary review by the F&A Committee prior to the next City Council meeting.

#### **4.5 Level of Purchasing and Commitment Authority**

Contracting with other public agencies or the private sector for the delivery of goods and services should provide the City with opportunities for cost containment and productivity service enhancement. As such, the City is committed to using outside resources for delivering municipal services as a key element in our continuing effort to provide effective and efficient programs while minimizing costs.

- All contractual obligations, including zero-dollar contracts, are subject to compliance.
- All purchases shall be made per the Purchasing and Contract Commitment Threshold and shall include requirements for acquiring quotes, estimates and competitive bidding.

The Mayor or his or her designee(s) is/are authorized to purchase materials, supplies and equipment and execute minor contracts without individual city council approval of each contract, subject to compliance with the Purchasing and Contract Commitment Threshold of this policy section. The Mayor may bring any contract forward for approval by the city council, notwithstanding the authority delegated to the Mayor by this policy.

RCW provides various competitive processes for obtaining bids and awarding contracts for construction of a “public work”, as provided in RCW Ch. 35A.40.200, Ch. 39.04, and Ch. 35.23.352 and approval authority for certain procurement categories. Thus, the City’s procurement matrix identifies separate procurement categories and the minimum approval authority and competitive process required at each threshold. Competitive negotiations include the process for acquisition of electronic data processing and telecommunications equipment, software, services, or systems as per RCW Ch. 39.04.270.

#### **4.5.1 Minor Contracts**

A minor contract may be defined by at least one of the following conditions:

- a. The term is three years or less, and funds have been appropriated by city council in the biennial budget, and the contract does not require expenditures that exceed available fund balances.
- b. Contracts with third parties renewing an existing contract for services on the same or substantially similar terms as the existing contract.
- c. Contracts creating no financial liability on the part of the city that are for the sole purpose of becoming eligible to receive revenues.
- d. Contracts with other public agencies for the exchange of information, for confidentiality for participation in legal proceedings, or other purposes of a like nature not involving financial obligations; or
- e. Contracts that are for the sole purpose of housekeeping changes or clarifications to an existing contract where such changes do not alter any material term or condition.

#### **4.5.2 Definitions**

“Purchase cooperative” means an intergovernmental agency created or established via interlocal agreement for the purpose of obtaining competitive bids from vendors/suppliers of municipal supplies, materials and/or equipment, as authorized pursuant to RCW 39.34.030(5).

“Interlocal agreement” refers to the use of an interlocal agreement with another governmental entity to provide the city the ability to purchase materials, supplies or equipment using the results of the bid process followed by the other governmental entity, as allowed pursuant to RCW 39.34.030(5).

“Small works roster” refers to the process of inviting quotations from and awarding a contract to a contractor included on a list of public works contractors available to perform public works projects for the city, as allowed pursuant to RCW 35.23.352 and 39.04.155.

“Limited small works roster” refers to the process of inviting quotations from and awarding a contract to a contractor included on a subset of contractors listed on the small works roster, as allowed pursuant to RCW 39.04.155(3).

“Technology systems and services” means electronic data processing and telecommunications equipment, software, services or systems, as those terms are used in RCW 39.04.270 and 36.92.020(5).

“Vendor roster” refers to the process of inviting quotations from a list of vendors from whom the city may purchase materials, equipment, supplies or services, which list is maintained pursuant to RCW 35.23.352(9) and 39.04.190.

**To identify the necessary requirements for procurement, staff must first identify the procurement category as defined below:**

**Purchasing and Contract Commitment Thresholds**

PROCUREMENT CATEGORY	DOLLAR LIMIT	Procedural Requirement(s)	APPROVAL AUTHORITY	REQUIRED SECONDARY APPROVAL
<i>Materials, Supplies, &amp; Equipment</i>				
Materials, Supplies, & Equipment (Including Capital Equipment)	Under \$2,000	Purchasing Card	Authorized Staff	None <sup>1</sup>
	\$2,000-\$7,500	Purchasing Card	Authorized Staff	Manager
	Over \$7,500-\$15,000	Purchasing Card, Purchase Cooperative, Vendor Roster, OR Formal Competitive Bid	Manager	Department Director
	Over \$15,000 - \$50,000	Purchasing Card, Purchase Cooperative, Interlocal Agreement OR Formal Competitive Bid	Department Director	Mayor or City Administrator
	Over \$50,000	Purchase Cooperative, Interlocal Agreement OR Formal Competitive Bid	Mayor or City Administrator	City Council

<i>Personal Services</i>				
Architectural, Engineering & Landscape Architect Services ("A&E")	Under \$15,000	MRSC Consultant/Vendor Roster OR On-Call Contract	Manager	Department Director
	\$15,000-\$50,000	MRSC Consultant/Vendor Roster OR On-Call Contract	Department Director	Mayor or City Administrator
	Over \$50,000-\$100,000	MRSC Consultant/Vendor Roster OR On-Call Contract	Mayor or City Administrator	City Council
	Over \$100,000	MRSC Consultant/Vendor Roster, On-Call Contract or Request for Qualifications	Mayor or City Administrator	City Council
General or Purchased Services (Other Than A&E)	Under \$15,000	<u>Purchasing Card</u> OR Vendor Roster	Manager	Department Director
	\$15,000-\$50,000	Purchasing Card, Purchase Cooperative, Vendor Roster, OR None	Department Director	Mayor or City Administrator
	Over \$50,000	Purchase Cooperative, Interlocal Agreement (of any dollar amount), Vendor Roster OR None	Mayor or City Administrator	City Council

PROCUREMENT CATEGORY		DOLLAR LIMIT	Procedural Requirement(s)	APPROVAL AUTHORITY	REQUIRED SECONDARY APPROVAL
<i>Technology Systems &amp; Services</i>					
Technology Systems & Services		Under \$7,500	<u>Purchasing Card</u>	Authorized Staff	Manager
		\$7,500-\$15,000	<u>Purchasing Card</u> , Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Manager	Department Director
		Over \$15,000-\$50,000	Purchasing Card, Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Department Director	Mayor or City Administrator
		Over \$50,000	Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Mayor or City Administrator	City Council
<i>Public Works</i>					
Public Works Project Staff Labor	Single Craft	Under \$75,500	None	Manager	Department Director
	Multi Craft	Under \$116,155	None	Manager	Department Director
Public Works Contract		Under \$7,500	None	Authorized Staff	Manager
		\$7,500-\$50,000	Limited Small Works Roster OR Small Works Roster	Manager	Department Director
		Over \$50,000-\$116,155	Small Works Roster OR Formal Competitive Bid	Department Director	Mayor or City Administrator
		Over \$116,155-\$350,000	Small Works Roster OR Formal Competitive Bid	Mayor or City Administrator	City Council
		Over \$350,000	Formal Competitive Bid	Mayor or City Administrator	City Council
<i>Amendments &amp; Change Orders</i>					
Contract Amendments (Services)		No Value Change	None <sup>2</sup>	Manager	Department Director
		Under \$50,000, cumulatively	None <sup>2</sup>	Department Director	Mayor or City Administrator
		Over \$50,000, cumulatively	None <sup>2</sup>	Mayor or City Administrator	City Council
Change Orders (Public Works)		No Value Change	None <sup>2</sup>	Manager	Department Director
		Under \$50,000, cumulatively	None <sup>2</sup>	Department Director	Mayor or City Administrator
		Over \$50,000, cumulatively	None <sup>2</sup>	Mayor or City Administrator	City Council

<sup>1</sup>While prior approval for materials, supplies, and equipment purchased by authorized staff under \$1,000 is not required by this section, purchasing card program procedures may require Manager and/or Director and/or Finance Director approval.

<sup>2</sup>While contract amendments and change orders do not require a competitive process, they shall be processed in accordance with the specifications or procedural requirements set forth in the underlying contract. And the proposed scope of any change order or contract amendment must not deviate from the original scope of work in such a manner or degree that they constitute a separate project.

#### **4.6 Purchasing Controls & Methods**

Primary responsibility and authority for the expenditure of monies appropriated per the adopted budget will be vested by the Mayor in the City Administrator and Department Directors or authorized designee. In addition to the primary responsibilities, the Finance Director shall exercise a secondary oversight responsibility for all budget expenditures and contractual obligations.

To facilitate a sound and cost-effective purchasing operation, authorized personnel shall follow procurement methods as defined by state law which contain guidelines for procurement, bidding, and awarding contracts.

##### **4.6.1 Commercial Card Program**

A purchase order system and/or commercial card programs (purchasing or fleet cards) should be used for purchases for goods and services use. Purchasing cards are used as a form of payment, by authorized purchasers, with the city liability to vendors and not the card program provider.

#### **4.7 Exemptions to Purchasing and Commitment Thresholds**

##### **4.7.1 Sole Source**

In circumstances where the city is limited to a single source of supply, competitive bidding requirements may be waived by the department director or Finance Director per RCW 39.04.280(1)(a). The city must be able to demonstrate that the purchase is clearly and legitimately limited to a single source such that bidding the purchase would be useless and futile based on drafted specifications. If a sole source exception is used, the City will make reasonable efforts to ensure that it is receiving the lowest price and best terms from the vendor.

##### **4.7.2 Favorable Market Conditions**

The Mayor or City Administrator may waive established bidding requirements if an opportunity arises to purchase favorably priced equipment at an auction or supplies or used goods that will be sold before the city can conduct the bid process per RCW 39.04.280(1)(b) and RCW 39.30.045.

##### **4.7.3 Insurance and Bonds**

In the insurance and bond procurement process, RCW 39.04.280 allows for the exemption of a competitive bid process.

##### **4.7.4 Emergency Purchases**

Emergency purchases as per RCW 39.04.280 are those made by the Mayor or authorized designee, such as a Department Manager, where an immediate purchase is necessary to correct a situation which would adversely affect the life, health, or safety of the residents.

In case of an emergency, a Department Manager may directly purchase any supplies, materials, or services necessary to alleviate the emergency. Every effort shall be made to contact the Mayor and City Administrator whether the emergency occurs during or after

normal working hours.

In the event where emergency purchasing is related to natural disaster events, a Declaration of Emergency Resolution shall be considered by the City Council per State Law at the first opportunity available. The Finance Director shall review and approve of account coding for all emergency purchases and maintain a tracking system per FEMA requirements, Emergency Management Plan, BARS and GFOA recommended practices for emergency management recordkeeping.

## **4.8 Personnel Expenditures**

Because personnel costs are the largest expenditure area of the annual budget, compensation guidelines are defined in the Personnel Policy, and Local Bargaining Agreements, which establish salary ranges, performance evaluation requirements and total compensation costs as the basis for all compensation planning and bargaining. Within budget limitations and Council authorized appropriations, market assessments may be conducted prior to bargaining.

### **4.8.1 Travel and Training**

The City of Snoqualmie shall reimburse City elected and appointed officials, employees and members of boards and commissions for their reasonable expenses actually incurred in the conduct of their business. Generally, eligible expenditures include travel, meals and lodging incurred by the individual while away from the City and necessitated by City business.

## **5.0 BUDGET**

### **5.1 Budget Objective**

The formal operating budget development process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, through the city council's appropriation of funds, functional classification, or capital programs or projects given the anticipated level of available resources. The City Council will meet to discuss Council goals and priorities prior to the start of the budget development process.

The budget will be developed per Ch. 35A.34 RCW.

### **5.2 Budget Principles**

#### **5.2 A. Link the budget to long-term, strategic financial plans**

The City's budget should be developed in accordance with the policies and priorities set forth in the Strategic Plan, long-term financial model, as per section 9.0, Comprehensive Plan, City Council goals, the needs of the community and federal and state laws.

#### **5.2 B. Critically examine past spending patterns**

The city seeks to maximize the value the public receives through its spending. Accordingly, management should develop budget tools and methods to measure and maximize value, particularly by critically examining existing spending patterns to make sure they continue to provide value.

#### **5.2 C. Prioritize programs and services**

The city should prioritize essential and discretionary programs services based on a results approach relative to the importance in preserving the community's health, safety, and welfare; mandates; risk assessments; long-term costs and evidence of their effectiveness in meeting strategic plan initiatives, comprehensive plan elements, annual goals and required

mandates.

#### **5.2 D. Risk management and mitigation of liabilities**

The City intends to fund the current portion of liabilities within the budget to maintain trust of creditors and to avoid or mitigate accumulating an unmanageable liability.

#### **5.2 E. Establish preferences for budget balancing strategies**

The City's preferred strategy for balancing the budget is to reduce expenditures through improved productivity. Except during dire economic circumstances, service, and program elimination is preferable. The biennial budget should not be balanced at the expense of long-term financial health.

### **5.3 Budget Scope & Basis**

The City will adopt budgets for all funds, functional classifications, and capital programs and projects as established by Council. A budget calendar will be prepared by the Finance Director in coordination with the Mayor and City Administrator and include all required public hearings. Proposed budgets will be viewed and discussed by the City Council and the public at the fund and department summary object code levels per BARS. The final budget is adopted by ordinance of the City Council by December 31 of each biennium. To encourage synchronization between the budget document and financial reporting, the City will establish the budget based on the cash basis of accounting.

### **5.4 Balanced Budget Requirement**

The objective of the operating budget is to pay for all current expenditures with current revenues. The budgets for all city funds should be structurally balanced throughout the budget development process. Ongoing revenue should equal or exceed ongoing expenditures in both the proposed and adopted budgets. If a structural imbalance occurs, then a plan should be developed and implemented to bring the budget back into structural balance. The City will endeavor to avoid budgetary allocations that balance current expenditures at the expense of meeting future years' expenses. Beginning fund balance sources may be used to fund capital improvement projects or other one-time, non-ongoing expenditures if the fund reserve targets are met.

### **5.5 Internal Cost Allocation**

The Internal Cost Allocation Plan (ICAP) is a method used to determine and assign the cost of indirect services to government users of those services or direct operating funds.

#### **5.5.1 References Guides**

RCW 43.09.210 states in part, "all service rendered by...from, one department...to another, shall be paid for at its true and full value by the department...receiving the same, and no department...shall benefit in any financial manner whatsoever by an appropriation or fund made for the support of another..."

#### **5.5.2 Definitions**

- Indirect Costs are incurred for a common purpose benefitting more than one cost function or organizational unit. They cannot be directly assigned without effort disproportionate to the benefit received.
- Indirect Services are activities that support the departments that provide direct service to the public. Examples include accounting, purchasing, human resources, engineering, and fleet and information technology.
- Direct Services are activities that provide services directly to or for the public and are supported by indirect services. Examples include parks, streets, and utilities (water, sewer, storm water).

### **5.5.3 Costs to be allocated**

Indirect cost allocation methods shall be reasonable, consistent, and equitable to distribute shared costs across funds and departments. Different factors are necessary to equitably allocate the various overhead costs. Costs shall only be allocated to departments that receive indirect support services. The city should be guided by reference authorities when creating the cost allocation plan to ensure that only allocable costs are included.

As part of the biennial budget development process, costs will be allocated based on the projected budget forecast.

## **5.6 Budget Amendments**

All budget amendments, such as shifting budget allocations from one fund or functional classification to another fund, functional classification, or capital program or project, must be approved by the City Council. Budget amendments changing the authorized appropriation level are subject to public hearing requirements in State Law.

### **5.6.1 Administrative Budget Adjustments**

Allocation adjustments within funds or functional classifications do not require city council approval. Department managers may, upon approval by the Mayor and City Administrator, request inter-departmental line item budget adjustments for operating purposes only, but not between appropriated functions. These administrative budget adjustments, authorized as per Ch. 35A.33.120 RCW, should primarily be for contractual, supplies and materials and other miscellaneous line items within the department.

### **5.6.2 Personnel Adjustments**

Any personnel adjustment that increases the City's ongoing expenditures relative to ongoing revenue, and negatively changes service levels as established by Council, requires legislative approval. Any personnel adjustment that does not lead to an increase in ongoing expenditures relative to ongoing revenue nor changes service levels negatively can be executed by the Administration without legislative approval.

## **5.7 Service Levels and Funding**

The City endeavors to maintain its present service levels for priority and essential services subject to available revenues. The objective is to maximize the benefit of available resources. The results or outcomes that matter most to residents should be defined by the City Council. New services or programs will be considered for funding within available resources.

Department managers will be given the opportunity to request personnel, goods, and capital items needed to carry out the department responsibilities. Department requests must include supporting documentation and justification of needs for operating requests. Requests should integrate strategic plan priorities and departmental objectives into the budget.

### **5.7.1 Social Services Organization Funding Requests**

The City receives requests from social services organizations and other entities seeking grants and funding. As part of the budget development cycle, the City Council will consider these requests and include a listing of entities to be included for grant giving.

## **5.8 Maintenance and Replacement**

Maintenance and replacement funding should be prioritized each year to ensure that capital facilities and equipment are sufficiently maintained to avoid service disruptions. Non-current liabilities have important implications for a local government's fiscal health. The City will strive to maintain its



capital assets in a manner adequate to protect the City's capital investment and to minimize future liabilities for maintenance and replacement costs.

### **5.8.1 Capital Asset Management**

The City should inventory and assess the condition of its buildings, equipment, and vehicles on a periodic basis. Budget development should include a multi-year projection of facilities, parks, equipment, vehicle replacement requirements and new asset additions. The budget should provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment. Future maintenance needs and repairs should be costed out and included as budgetary decision criteria for the appropriate internal service fund.

### **5.9 Enterprise Fund Budgets**

Enterprise operations are to be self-supporting, including capital improvements and depreciation. Enterprise operations are to be reviewed biannually for self-sufficiency and proper cash-flow needs. Utility Rate studies, which occur periodically, will be included in the budget development process in the year for which new rates are established. Enterprise budgets will incorporate year one and two capital projects and programs as identified within the Capital Improvement Plan (CIP).

### **5.10 Budget Reporting**

The recommended and adopted budget documents will be available at City Hall. The City will maintain an internal control system to support adherence to the budget allocations. The City Council will receive a quarterly Financial Performance Report to include budget versus actual reporting. The financial performance report should be provided within sixty (60) days after the end of each quarter.

## **6.0 CAPITAL BUDGET**

### **6.0 Objective**

The City of Snoqualmie capital budget, which is a part of the biennial budget, has a major impact on the quality of local government services, the community's economic vitality, environmental stewardship, social equity, and overall quality of life for city residents, businesses, and visitors. The capital budget serves to identify, prioritize, and address community needs through careful long-term planning and balanced public investment in physical infrastructure. Capital budget goals include:

- Support the City's Strategic Plan, other plans and the community vision for growth and levels of service.
- Acknowledge and communicate capital investment priorities as community conditions change.
- Promote appropriate planning efforts to changing demands for a diverse set of infrastructure and capital assets.
- A financial assessment of capital funding resources available to meet future capital project planning needs.
- Maintain a high-quality service infrastructure able of meeting community needs today and, in the future.

### **6.1 Capital Definitions**

**Capital Outlay:** The City defines a capital outlay as the acquisition or renewal of relatively small or inexpensive physical assets with a useful life greater than one year. Examples include lawn mowers and laptops. Capital outlay expenditures are typically tracked in operating funds or internal service funds.

**Capital Program:** The City defines a capital program as the continuous acquisition or renewal, over

an extended period of time, of similar long-term physical assets with a useful life greater than one year. Given its continuous and ongoing nature, a capital program retains permanence in the Capital Improvement Plan. Examples include the resurfacing of streets and the replacement of utility mains.

Capital Project: The City defines a capital project as the discrete and one-time acquisition or renewal of a long-term physical asset(s) with a useful life greater than one year. Given its one-time nature, a capital project will exist for a finite period of time in the Capital Improvement Plan. Examples include the acquisition of a fire station or the replacement of a lift station.

## **6.2 Capital Improvement Plan (CIP)**

The Capital Improvement Plan (CIP) is a planning and financial management tool that helps the City identify and prioritize capital investments over a six-year period. Based on staff recommendations, stakeholder and public input, and Council deliberation, the CIP establishes the scope and cost of capital investments, communicates the estimated funding available from various sources, and balances both cost and the resources available in a cohesive and efficient financial plan. This long-term plan will provide guidance for each biennial budget process as well as for Council goal-setting processes.

The CIP is required by the State of Washington Growth Management Act to bring the Comprehensive Plan to life and should be informed by all master and functional plans (Water System Plan, General Sewer Plan, Parks, Recreation, Open Space, and Trails Plan (PROST)). The CIP will help the City to plan capital programs and projects wisely and most efficiently to maximize community impact with long-term sustainability in mind. In addition, as a critical communications tool, the CIP will increase the transparency of the capital decision-making process. Given its explicit and forward-looking nature, the City can avoid long-term adverse financial and operating surprises by creating and adopting a CIP.

The City Council should update the CIP biennially. The off year of the budget cycle allows for public engagement efforts to discuss future, potential projects, and programs with the community. Major changes that are discovered may be amended through the mid-period biennial budget adjustments. The administration should provide periodic project update reporting to the city council and/or council committee where project amendments would be addressed.

As resources are available and projects are financially feasible, the two most current years of the 6-year CIP should be recommended for incorporation into the upcoming biennial budget. Subsequent years of the CIP are for planning purposes and may be altered as they advance toward the budget inclusion year. Capital program or project appropriations are authorized by council at the project level and reviewed through period project updates and reporting identified in this section.

## **6.3 CIP Criteria and Ranking**

All projects submitted to the CIP should be initially ranked. The Administration will assess project rankings plus other factors such as minimizing construction impacts through project sequencing or a need to respond to emergent issues. The City Council, as part of biennial CIP deliberations may modify and/or finalize project rankings. Funding is a critical component of the criteria and ranking schedule. In addition to ranking, projects need an overall description, justification for the project, and a connection to a master plan or strategic plan.

## **6.4 Project Source and Use Identification**

Capital project and program submissions shall include multi-year funding sources, including grants, applicable impact fees, special funding, and other outside sources. Multi-year project costs shall include acquisition, design, permitting, inspections, mitigation, construction, in-house staff time,

inflationary costs and contingency.

#### **6.4.1 Project Sources**

Capital funding comes from operating revenues, grants, local improvement districts, impact fees, user fees and the issuance of debt. Washington State law limits the City of Snoqualmie's ability to raise funds for capital improvements such as tax rate limits and amount of debt capacity. Given the extensive number of capital improvement projects and finite funding sources available, the following are some of the capital financing strategies available when preparing or updating the Capital Improvement Plan:

- Seek out federal, state and county resources.
- Seek out private contributions or donations through public/private partnerships.
- Similar departmental capital projects will be combined for efficiencies and cost savings such as street improvements combined with utility improvements to minimize construction impact to the community.
- Mitigation and impact fees should be applied toward projects defined by the contributing source or agreement authorized by the City Council.
- REET funding.
- Local Improvement or Utility Local Improvement District (LID or ULID) assessments
- Enterprise (utility) fund projects must be paid for by user rates and capital connection charges.

##### **6.4.1.1 Funding Source Cash Flow**

Funding sources, such as REET or mitigation fees, will be reviewed as part of the biennial CIP development process for sufficient cash flow and long-term impact on funds. The availability and use of special funding sources is subject to State Law and/or reserve targets set by the City Council as per the Reserve section of the Financial Policy.

#### **6.4.2 Capital Cost Thresholds**

Capital outlay is distinguished from capital projects and programs and are expenditures between \$5,000 and \$49,999 and/or having less than an estimated five years of useful life.

Capital program or project expenditures over \$50,000 during a six-year period should be included in the CIP. Projects should not be combined to meet the minimum standard unless they are dependent upon each other. Projects should not be separated to forego the maximum standard.

Items that are operating expenditures (such as non-specific capital project related professional services, master plan updates, maintenance agreements, technology items, etc.) should not be considered within the CIP.

##### **6.4.2.1 Impact on Operating Budget**

All projects submitted for inclusion in the CIP should be reviewed to assess the long-term impact on the operating budget in terms of:

- Future year revenue generation
- Additional personnel, equipment and/or vehicle requirements
- Future operating and maintenance expenditures
- Return on investment potential

##### **6.4.2.2 Public Art Funding**

Pursuant to SMC 3.80, the City recognizes the importance of public art funding and establishes a funding source for public art works to be installed in certain public facilities and spaces. CIP projects and programs, as per municipal code, will include a line item identifying the art funding cost to be transferred to the special revenue fund.

### **6.5 Planning Process**

The capital budget and CIP development process will begin prior to the biennial budget development process. The Mayor and Administration should present the CIP to the City Council for deliberations and approval to include in the biennial budget. Any substantive change to the CIP after approval must be approved by the City Council. CIP development shall include public engagement efforts to ensure the community has ample time to comment on and contribute to the CIP.

### **6.6 CIP Progress and Reporting**

The City Council will receive a quarterly progress report regarding the CIP to include budget versus actual reporting. The progress report should be provided within sixty (60) days after the end of each quarter.

## **7.0 DEBT MANAGEMENT**

### **7.1 Debt Purpose**

Debt financing is primarily used for capital project expenditures. Use of long-term debt financing for operations and maintenance costs are forbidden. Debt financing will be considered if the City can repay debt without causing financial distress. It is the City's objective to:

- Identify the timing and amount of debt required as specifically as possible
- Achieve the most favorable interest rates and other related financing costs
- Ensure that future financial flexibility be maintained
- Utilize interfund loans from one fund to another as a first source of debt financing

### **7.2 Debt Practices**

The City Council may authorize the following types of debt financing only for those purposes as provided by Ch. 39 RCW:

- Utilization of the Public Works Loan Fund, per WAC 399.30 for allowable purposes, if available.
- Utilization of interfund loans as per the BARS Manual.
- Issuance of revenue bonds to fund proprietary capital infrastructure projects such as water, sewer, and stormwater
- Issuance of councilmanic limited tax general obligation bonds for capital projects that generate adequate revenues from user fees to support operations and or debt service requirements.
- Issuance of councilmanic limited tax general obligation bonds for capital projects that are authorized to be supported by the General Fund or capital project funds through the Capital Improvement Plan (CIP) for debt service requirements.

Utility System replacements, due to age or the need to upgrade to meet minimum standards, should be financed by a combination of:

- Using portions of the Utility Enterprise fund balance for capital improvement projects.
- Borrowing and repaying on a schedule that matches the useful life of the capital

improvement.

The City of Snoqualmie will never issue debt more than limitations as prescribed in Ch. 39.36.020 RCW based on percentage of its total market value.

### **7.3 Bond Terms & Methods**

Long-term debt should be structured in a manner so that the life of the debt does not exceed the expected useful life of the capital asset being funded by the debt. The city will obtain the most competitive pricing on debt issuances to ensure a favorable value to the community.

### **7.4 Bond Rating**

Strong financial management is a key credit rating factor. For the City of Snoqualmie to respond quickly to economic and financial demands, the City will seek to maintain or continually improve its bond rating to seek the lowest possible interest rate available OR maintain its AA Bond Rating.

### **7.5 Financial Guarantees**

Should financial guarantees be utilized to defer public improvements required of development projects or to ensure that disturbed public facilities will be restored, the developer or property owner shall provide an irrevocable letter of credit issued by a banking institution approved by the Finance Director, a bond, an assignment of savings, or a cash deposit. The form of the financial guarantee shall be at the discretion of the Finance Director. The amount of any approved financial guarantee shall be at least 150% of the estimated improvement cost and may be increased to reduce risk to City resources based on the professional judgment of the Finance Director.

## **8.0 INVESTMENTS**

### **8.1 Policy and Scope**

It is the policy of the City of Snoqualmie to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to State law governing the investment of public funds.

The investment policy applies to all financial assets of the City of Snoqualmie. These funds are accounted for in the City of Snoqualmie's Annual Financial Report and include all operating, special revenue, capital project, enterprise, debt service and trust funds.

### **8.2 Prudence**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this policy and with Ch. 35.39 RCW and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **8.3 Objective**

The primary objectives of the City of Snoqualmie investment activities shall be:

**8.3.1 Liquidity:** The City of Snoqualmie investment portfolio will remain sufficiently liquid to enable the city to meet all operating requirements, which might be reasonably anticipated.

**8.3.2 Return:** The City of Snoqualmie investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Short-term investment returns should attain a return rate of at least equal to the Washington Local Government Investment Pool (LGIP).

#### **8.4 Delegation of Authority**

Management responsibility for the investment program is hereby delegated to the Finance Director or a Financial Operations Manager, who shall be responsible for investment transactions up to \$1 million. Transactions over \$1 million shall require the additional approval of the City Administrator or Mayor. A strict system of controls to regulate the activities of subordinate personnel in the absence of the Finance Director must be undertaken.

#### **8.5 Ethics and Conflicts of Interest**

Public officials and city employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Council any material financial interest in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Snoqualmie.

#### **8.6 Authorized Financial Dealers and Institutions**

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Washington. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository as established by Washington State laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director, upon request, with annual audited financial statements, proof of National Association of Security Dealers (NASD) certification, and proof of State of Washington registration. Annual completion of Notification to Broker and Certification by Broker will be done.

#### **8.7 Authorized and Suitable Investments**

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. Interest-bearing deposits in authorized depositories must be fully insured or collateralized.

The following is a list of investments which the City of Snoqualmie will be authorized to invest in as per Ch. 39.58 and 39.59 RCW:

**Government Securities:** Instruments such as bonds, notes, bills, mortgages, and other securities which are direct obligations of the federal government or its agencies, with the principal fully guaranteed by the U.S. Government or its agencies.

**Certificate of Deposit:** A negotiable or nonnegotiable instrument issued by commercial

banks, located in the State of Washington, and insured up to the Federal Deposit Insurance Corporation (FDIC), or, if exceeding FDIC coverage, is fully insured or collateralized.

**Prime Commercial Paper:** An investment used by corporations to finance receivables. A short-term (matures in 270 days or less) unsecured promissory note is issued for a maturity specified by the purchaser. Corporations market their paper through dealers who in turn market the paper to investors.

**State of Washington Securities and Pools:** Any security which is a general obligation of the State of Washington or any of its municipalities. Statewide investment pools which invest in authorized instruments.

**Money Markets:** Money market mutual funds which invest in authorized instruments.

### **8.8 Safekeeping and Custody**

When a broker dealer holds, investments purchased by the City of Snoqualmie in safekeeping, the broker-dealer must provide asset protection of at least \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$49.5 million supplemental insurance protection.

### **8.9 Diversification**

The City will endeavor to diversify its investments per type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements, as per the long-term financial model. Extended maturities may be utilized to take advantage of higher yields and to match investment maturities with debt obligations.

The City will attempt to diversify its investment portfolio per broker-dealer or financial institutions. No more than 65% of the entire investment portfolio shall be held with one broker.

### **8.10 Reporting**

Periodic required investment reports to policymakers and elected officials provide necessary written communication regarding investment performance, risk analysis, adherence to policy provisions, as well as other information. The Finance Director shall provide the City Council quarterly investment reports, which provide a clear picture of the status of the current investment portfolio. This management report should include a summary of securities held at the end of the reporting period by authorized investment category, percentage of portfolio represented by each investment category, percentage of portfolio represented by each financial institution, and overall portfolio values.

## **9.0 LONG-TERM FINANCIAL PLANNING**

The City's budget process involves incorporating the strategies, priorities and goals identified by the City Council to provide for the community's highest service delivery needs. Long-term planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of ongoing resources.

### **9.1 Model Objective**

Long-term financial models that address all funds should be utilized by the City Council, Mayor, and Administration in strategizing and aligning financial capacity with the City Council Strategic Plan. Long-term financial models serve as a foundation for conversations regarding allocation of resources and project planning. The forecasting methods utilized should be objective in nature to

minimize the risk of being too pessimistic or too optimistic.

The City's long-term financial models should include a governmental operating financial forecast, addressing the General and Reserve funds, a governmental capital financial plan, commonly observed through the six-year CIP, an enterprise (i.e., utilities) financial plan, often presented through the utility rate study and six-year CIP, and an internal cost allocation plan, which addresses the replacement schedule of important assets such as vehicles and software systems.

Models will include an analysis of historical, current, and future year's financial environment, revenue, operating and capital expenditures, and debt positions. The financial model will be updated as needed to provide direction to the budget process and other fiscal decision-making actions of the City Council.

## **10.0 AUDITING, ACCOUNTING & INTERNAL CONTROL**

The City of Snoqualmie will establish and maintain a high standard of accounting practices and procedures. Accounting standards will reflect best practices recommended by the Government Finance Officers Association (GFOA) and chart of accounts required by the Washington Office of the State Auditor (SAO) BARS manual.

After each fiscal year, the City will prepare a Annual Financial Report and the Washington SAO will conduct an audit of the City financial transactions, contract management and internal control.

### **10.1 Internal Control**

The City Council, Mayor and Administration are responsible for ensuring and maintaining a system of internal control to safeguard its assets against loss, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed financial procedures.

The City Council will demonstrate their independence from the administration by establishing financial management policy and directly communicating with the State Auditor's Office as part of the annual financial audit entrance and exit conferences.

The Finance Director shall develop internal control processes to ensure and maintain a strong internal control function. Periodic updates and new recommended practices set forward by the SAO and GFOA are communicated and addressed with the City Council. Any weakness in internal control and accounting procedures shall be addressed immediately by the Mayor, City Administrator or Finance Director so a timeline to remedy improvement can be established.

### **10.2 Accounting Write-offs**

The Finance Director shall make every effort to collect all receivables owed to the City and will comply with Ch. 4.16 RCW regarding collection actions by local governments. The following is criteria that must be met before a receivable is allowed for write-off:

- Standardized collection procedures have been exhausted.
- A determination has been made that the debt is uncollectible or that further measures to collect the debt are inappropriate and deemed to exceed the cost of collection.
- The characteristics of the debt are such that write-off is appropriate - If funds are uncollectible, the Finance Director should determine for write offs to an individual bad debt expenditure up to \$5,000 up to an aggregate annual amount of \$50,000. City Council approval is required for balances above the annual threshold and must accompany the



write off to the bad debt expenditure.

- The reason for the write-off is documented adequately and is made available for audit.

### **10.3 Petty Cash and Bank Account Controls**

The Finance Director shall establish processes for control and handling of petty cash funds, which include investigative buy funds. The Finance Director will oversee and manage all City of Snoqualmie Banking Accounts such as Imprest accounts, Claims accounts, and Payroll accounts. Bank accounts will be reconciled monthly.

### **10.4 Inventory of Small and Attractive Items**

Operating departments shall be responsible for conducting regular inventory of their small and attractive items as defined by State Law, and submit a physical inventory to the Finance Director.

### **10.5 Surplus Assets**

The mayor should administratively surplus non-public utility office equipment, computer equipment, small tools, computer software and minor equipment with a value of less than \$5,000. Titled vehicles, real property, and any City property with a value of greater than \$5,000 will be surplus by the City Council by resolution.

#### **10.5.1 Surplus or Inter-Governmental Disposition of Public Utility Assets**

As per Ch. 35.94.040 RCW, titled vehicles, real property, and equipment originally acquired for public utility purposes and which are no longer required for providing continued public utility service should be surplus after a public hearing and subsequent City Council resolution.

## **11.0 RISK MANAGEMENT**

The City should periodically review its insurance options and coverage for each risk or hazard and medical options to determine whether it is most cost effective to purchase commercial insurance, to fund a self-insurance program or to participate in a “pooled” self-insurance program with other jurisdictions. Such a determination should consider the long-term financial obligations of such a decision as well as the regular fluctuations in commercial insurance markets. Where the City decides to self-insure a risk, the City shall fully fund the expected costs of those risks through actuarial or other professional estimates of those costs.

## **FINANCIAL MANAGEMENT POLICY ADOPTION**

The City of Snoqualmie Financial Management Policy shall be adopted and amended by action of the City Council. The Snoqualmie City Council shall review the policy periodically and any modifications made thereto must be approved by the City Council.

### **Policy Adopted on: June 10, 2024**

This policy replaces separate, previously adopted policies and/or procedures regarding revenue management, procurement and contract management, fund reserves, purchasing or commercial credit cards, asset management policies or any other policy regarding financial management and financial procedures. Snoqualmie Municipal Code should be repealed or updated accordingly.