



# FINANCIAL MANAGEMENT POLICY

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Ordinance **xxxx****

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## 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. 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

## 2.0 RESERVES AND FUND BALANCE

Fund balance is an approximate measure of liquidity. Reserves are a cornerstone of financial flexibility and provide the City of Snoqualmie with options to respond to unexpected issues and provide a buffer against minor fiscal challenges. This section defines thresholds and descriptions for fund balances, reserves, and retained earnings of all funds of the City of Snoqualmie. 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 by law through constitutional provisions or enabling legislation. Debt Service fund balance 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 at highest level of local decision making that requires formal

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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 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 (i.e., surplus) or excess of non-spendable, restricted, and committed fund balance over total fund balance (i.e., deficit). The General operating fund balance typically will consist of unassigned funds for use by the City Council.

## **2.2 Reserve Level Target – General Fund**

A healthy unassigned fund balance is needed to provide cash flow to pay expenditures when due. A fund balance reserve target 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.

The general fund unassigned fund balance should be approximately 15-20% of expenditures of the general fund. The unassigned fund balance of the general fund may never fall below 15% of operating expenditures unless authorized by the City Council.

### **2.2.1 Conditions for Using General Fund Reserves**

The City shall endeavor to avoid the appropriation of fund balance for recurring operating expenditures. If at any time the utilization of a fund balance to pay for operating expenditures is necessary to maintain the quality or a defined level of services, 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 targets will be included in the budget transmittal letter prepared by the Mayor in the Proposed Budget and deliberated by the City Council.

Reserves may be used at the discretion of the City Council to:

- Provide temporary resources in the event of an economic downturn while expenditure reductions are implemented, or alternate sources of revenue are determined
- Provide resources to meet emergency expenditures in case of flood, fire, earthquake, landslides, or other catastrophic failures
- Provide resources for one-time capital outlay expenditures which include capital equipment as part of the capital improvement plan

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

It is the goal of enterprise funds to cover the cost of operations, debt obligations and capital infrastructure improvements and annual maintenance, and to maintain a financially healthy enterprise. Enterprise fund balance is a product of revenues over expenditures over time and consists of the net result of assets minus liabilities. The City will establish utility rates and capital

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connection fees that are structured to meet several financial requirements. The Enterprise fund balance financial indicators are as follows:

**2.3.1 Capital funding obligations**-as defined through the 6-Year Capital Improvement Plan (CIP) - Utility Categories.

**2.3.2 Debt coverage ratio** – a ratio 1.5 of net revenues to total debt service.

**2.3.3 Operating reserves**-90 days of operating expenses reserved for water, wastewater, and storm water.

**2.3.4 Debt service**-the amount needed to pay for current and future debt (125% or as per bond covenants).

**2.3.5 Emergency capital repairs**-amounts required to pay for unanticipated capital costs.

### 2.4 Reserve Level Target – Special Revenue, Capital Project Fund Types

The main purpose of special revenue, capital project and debt funds are to account for resources and track spending that is specific to the fund's purpose, and it is presumed that all fund resources will eventually be spent. Capital Project Funds will reflect items represented in the CIP approved during the capital budget adoption process. It is the intent of the City of Snoqualmie to set aside funds, when operations allow, for large capital projects to help minimize the debt service needs for these projects. Current commitments for Capital Project fund reserves are transportation, parks, sidewalks and trails, utilities, and civic facilities as defined in the Comprehensive Plan – Capital Facilities Plan element.

Special revenue funds by their nature are funds used for specific purposes, and the corresponding fund balance will be used to solely support that purpose. Fund balances in special revenue funds will be monitored to stay consistent with the need and use of the specific purpose of that fund.

#### 2.4.1 Drug Enforcement Fund

As defined by Ch. 69.50.505 RCW and inter-local 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.

#### 2.4.2 REET Fund

As defined by Ch. 84.46.035 RCW, the City of Snoqualmie is authorized to levy REET funds and use in accordance with State Law. REET sources are allocated towards various Capital Improvement projects as defined in the 6-year adopted CIP and may be leveraged towards debt service obligations – see Section 6.3.1 of this policy. REET Fund reserves may be maintained at a level **sufficient** to ensure viability of future CIP funded projects with a **minimum** reserve balance authorized by the City Council.

#### 2.4.3 Contingency Funds

The City of Snoqualmie may establish separate special revenue funds for contingencies or may adequately set aside assigned or committed reserves within the General Fund for unforeseen expenditures.

### 2.4.4 Human Services Fund

The City of Snoqualmie Human Services fund is to provide for the competitive allocation process for distributing funding to non-profit organizations that support and aid youth, adults, seniors, and families in need. Agencies approved for funding may use the money to improve capital facilities or support on-going operational programs. The Finance Director shall maintain a reserve of **\$50,000**. Biennial funding for continued human services support shall not exceed **1.12%** of General Fund Revenue Sources. The Finance Director shall establish financial procedures for the application, timeline for distributions and administration of the fund.

### 2.5 Reserve Level Target – Internal Service Funds

Reserve targets established for internal service funds shall ensure that the fund continues to provide service without interruption including information technology, fleet and facility maintenance and equipment replacement plans. Internal service fund reserves are funded through the City of Snoqualmie Cost Allocation Plan (CAP). The reserve funds will be maintained at a level sufficient to meet scheduled equipment replacement to sustain an acceptable level of municipal services and prevent a physical deterioration of city assets. If CAP charges are sufficient to cover internal service operations, maintenance, and equipment replacement expenditures then the minimum reserve balance may be **30%** of the fund's operating budget expenditures.

### 2.6 Replenishment of Reserves

Should assigned fund balance targets fall below target thresholds, **the City will strive toward regaining the minimum threshold during the next budget cycle** and forecast the timing of the unassigned fund balance improvement within the long-term financial model.

### 2.7 Excess Reserves

Reserves above the targeted reserve levels may 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 reserves will be determined by the City Council through the next available budget cycle or budget amendment defined through an agenda bill.**

## 3.0 REVENUES

### 3.1 Revenue Objectives

The city will maintain a diversified and stable revenue system to shelter it from short-term fluctuations. To protect and better develop future tax base, revenue guidelines will emphasize preserving the City's ability to grow and expand. The following are revenue objectives based on type of revenue:

#### 3.1.1 Revenues That Align with Cost Recovery

Fees or taxes are based on an objective of recovering a stated percentage of a given program's expenses. The city will consider user fees when the character of the service and its users seems appropriate and if the user fees are charged, the fee will be structured to recover the full cost of the service including all direct and indirect costs. Full cost recovery may not be implemented if the fees prevent an individual from obtaining an essential service or results in the city being economically disadvantaged or as otherwise set by the City Council.

### **3.1.2 Revenues Related to Economic Development**

Fees or taxes are based on objectives that foster growth related activity. The City's overall revenue structure should be designed to recapture some of the financial benefits resulting from City economic and community development investments. The city will strive to keep a total revenue mix that encourages growth and keeps Snoqualmie economically competitive and a city of choice for people to live in and do business.

### **3.1.3 Revenues with a Relationship to the Value of Money and Market Forces**

Fees are based on maintaining a logical relationship with local market forces. Fees that are subject to ongoing inflationary or other indexes may be adjusted.

### **3.1.4 Revenues that Enforce Compliance**

Fines and Infractions are set at a level that assists with enforcing compliance with City rules and regulations.

### **3.1.5 Revenue that is Self-Supporting**

Fees and charges usually associated with a governmental "business" enterprise. Fees are based on a formal rate model for factoring in relevant operational, capital, and debt service cost components.

**3.1.5.1** All utility enterprise funds shall be self-supporting; that is, they should generate enough revenue to pay for all costs without a subsidy from the general fund, from each other or from other sources. **Utility rate studies will be conducted every five years** 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. Because of the vital importance of water, sewer, and storm water as public services, which are heavily impacted by Federal and State regulations. Every effort will be made to provide a minimum level, minimum cost alternative to all utility customers.

## **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. On a periodic basis, the Fee Schedule, as adopted by City Resolution, may be amended in conjunction with a budget development cycle.

## **3.3 Cash Management**

Deposits and cash receipting procedures, as defined in financial procedures, 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, through financial procedures, will provide guidance and strict enforcement of internal control, deposit of collections and oversight on all changes to revenue items in the financial system.

The City shall maintain a cash management program, which includes collection of accounts receivable, disbursement of funds, and prudent investment of available idle cash.

## **3.4 Bad Debt and Collections**

Revenue collection guidelines, as defined in financial procedures, will provide processes for the recognition of bad debt, assessment of finance charges, and the computation of an allowance of doubtful accounts, as well as define procedures for determining refunds and discounts as allowed pursuant to City Code.



### 3.4.1 Insufficient Funds and Dishonored Checks

A Non-Sufficient Funds (NSF) charge, as per Fee Schedule, shall be assessed against any person who has made payment to the city by check for any fee or charge when such check is returned by the bank against who it has been drawn due to insufficient funds on account, closure of account, or any other reason resulting in the non-payment of the check. The penalty shall be paid prior to the application of any payment against the fee or charge initially assessed.

### 3.5 Revenue Distribution to Non-General Funds

Sales tax is a major revenue source of the City; however, it is also the most volatile and elastic source impacted by local, regional, and national economic conditions. The City of Snoqualmie's growth has been supported by retail-oriented business activity and such growth impacts the need for maintaining, improving, and adding new capital assets. **During the budget development cycle, the City Council will determine the amount of sale tax sources to be distributed from the General Fund to other funds**, such as capital project funds, as a source of funding, within the adopted Capital Improvement Plan (CIP).

### 3.6 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. Any grant programs must be consistent with the City's mission and strategic goals. The Administration will seek out, apply for, and effectively administer federal, state, and other grants that address the City's policy objectives and provide a positive benefit. Before any grant **above \$50,000** is pursued, departments shall provide detailed pro-forma information to the Mayor, City Administrator and Finance Director that addresses the immediate and long-term costs and benefits to the City.

Responsibility for the administration of grants is the joint responsibility of the applying department, finance department and City Administration. All grants, regardless of the amount, must be reviewed by the Finance Department prior to pursuit of the funding to ensure that financial statement preparation and grant reporting requirements are met. Financial procedures define the requirements for grant administration and compliance as per State and Federal Law.

### 3.7 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. If no terms or conditions are attached to the donation, the Administration will prepare a summary of the funding source and recommended use of proceeds for City Council approval.

#### 3.7.1 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.

For the purposes of this policy, "Substantial Financial Gift" is defined as **at least 50%** of the estimated cost of:

- 1) New construction, remodeling, or renovation



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- 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

### 3.7.2 Donation Funded Projects

The City of Snoqualmie will review projects that are proposed by private individuals or groups, where the project funding source will come from donations collected by the individual or group, (e.g., trees, park benches and other equipment or fixtures) on a case-by-case basis. The Administration will review the donation project with the Finance Director prior to City Council acceptance and oversee the donation funded projects per financial procedures.

### 3.8 Gifts to City Officials

No city official or city employee shall accept any gift as per Ch. 42.23 and Ch. 42.52 RCW or the City of Snoqualmie Code of Ethics. Exceptions include those included in Ch. 42.52.140.

## 4.0 EXPENDITURES

### 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 support Snoqualmie businesses, by contracting for goods and services, within the community whenever possible subject to meeting other expenditure guideline objectives as per Ch. 39.04.190 RCW and as defined in financial procedures.
- To obtain supplies, equipment, and services as economically as possible and that are best suited to the specific departmental needs.
- To maintain compensation packages which are competitive with other public sector employers and that are sufficient to attract and retain quality employees.
- 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.
- To ensure compliance with all applicable policies and regulations of the City, the State, and Federal Government.

### 4.2 Efficiency

The City will make efficient use of limited resources and will continually look for and implement the most 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 may 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:

- Using information available to an employee solely because of their position for personal profit, gain, or advantage.
- 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

Department Directors will be accountable for procurement within their departmental budgets. Failure to follow financial procedures for procurement 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. 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, warrants and claims presented for payment to the City Council must be in writing, itemized and audited by the Auditing Officer. The Finance Director is designated as the City of Snoqualmie Auditing Officer. Department managers will be responsible for ensuring invoices meet this requirement and provide them to the Finance department for prompt payment and audit review as defined in the financial procedures.

##### 4.4.2.1 Claim Reporting

The Finance Director or designee shall prepare a Claims Report to the City Council for their review. The Claims Report is informational and shall be prepared 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 may 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 with financial procedures.

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All purchases should be made per the Purchasing and Contract Commitment Threshold and further defined in financial procedures and shall include requirements for acquiring quotes, estimates and competitive bidding. The Mayor has the sole authority to waive purchasing procedures, but only to the extent as authorized by State Law.

RCW requires different competitive bid processes 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. 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
<b><i>Materials, Supplies, &amp; Equipment</i></b>				
Materials, Supplies, & Equipment (Including Capital Equipment)	Under \$2,000	Purchasing Card	Authorized Staff	None <sup>1</sup>
	\$2,000-\$10,000	Purchasing Card	Authorized Staff	Manager
	Over \$10,000-\$35,000	Purchasing Card, Purchase Cooperative, Vendor Roster, OR Formal Competitive Bid	Manager	Department Director
	Over \$35,000-\$75,000	Purchase Cooperative, Interlocal Agreement OR Formal Competitive Bid	Department Director	Mayor or City Administrator
	Over \$75,000	Purchase Cooperative, Interlocal Agreement OR Formal Competitive Bid	Mayor or City Administrator	City Council
<b><i>Personal Services</i></b>				
Architectural, Engineering & Landscape Architect Services ("A&E")	Under \$35,000	MRSC Consultant/Vendor Roster OR On-Call Contract	Manager	Department Director
	\$35,000-\$75,000	MRSC Consultant/Vendor Roster OR On-Call Contract	Department Director	Mayor or City Administrator
	Over \$75,000-\$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 \$35,000	Purchasing Card OR Vendor Roster	Manager	Department Director
	\$35,000-\$75,000	Purchase Cooperative, Vendor Roster, OR None	Department Director	Mayor or City Administrator

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PROCUREMENT CATEGORY		DOLLAR LIMIT	Procedural Requirement(s)	APPROVAL AUTHORITY	REQUIRED SECONDARY APPROVAL
		Over \$75,000	Purchase Cooperative, Interlocal Agreement (of any dollar amount), Vendor Roster OR None	Mayor or City Administrator	City Council
<b>Technology Systems &amp; Services</b>					
Technology Systems & Services		Under \$10,000	Purchasing Card	Authorized Staff	Manager
		\$10,000-\$35,000	Purchasing Cared, Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Manager	Department Director
		Over \$35,000-\$75,000	Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Department Director	Mayor or City Administrator
Technology Systems & Services		Over \$75,000	Purchase Cooperative, Consultant/Vendor Roster, OR Competitive Negotiation	Mayor or City Administrator	City Council
<b>Public Works</b>					
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
<b>Amendments &amp; Change Orders</b>					
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

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PROCUREMENT CATEGORY	DOLLAR LIMIT	Procedural Requirement(s)	APPROVAL AUTHORITY	REQUIRED SECONDARY APPROVAL
	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 \$2,000 is not required by this section, purchasing card program procedures may require Manager and/or Director and/or City Administrator approval pursuant to Financial Procedures, as defined by the Finance Director.

<sup>2</sup>While contract amendments and change orders do not require a competitive process, they 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 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.

In general, each department shall make purchases for the requirements of the City. Purchases will not be separated into smaller purchasing components to eliminate a threshold authorization requirement. To facilitate a sound and cost-effective purchasing operation, authorized personnel shall follow procurement methods as defined in financial procedures 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) may be used for types of purchases for goods and services as defined in financial procedures. Purchasing Card authorization levels will be defined by the Finance Director, who shall have exclusive control and possession of all such commercial cards and shall control release, issuance, and availability of commercial cards to prevent abuse or improper use.

**No open house accounts, with any vendor shall not be allowed, unless approved by the Finance Director.**

### 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). However, approval authority requirements will remain in effect per financial procedures. 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. Financial Procedures will define guidelines for this exemption.

### **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.

To the greatest extent possible, financial procedures should be followed for emergency purchasing. However, 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 or Finance Director 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.

### **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 for the City as per the Travel and Training Policy and Procedures. Generally, eligible expenditures include travel, meals and lodging incurred by the individual while away from the City and necessitated by City business. Authorization commercial card holders may register for and incur reasonable expenses subject to financial procedures.

## **5.0 BUDGET**

### **5.1 Budget Objective**

The formal operating and capital budget development process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, 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**

### **5.2.1 Link the budget to long-term, strategic financial plans**

The City's budget will be developed in accordance with the policies and priorities set forth in the Strategic Plan, Comprehensive Plan, City Council goals, the needs of the community and federal and state laws.

### **5.2.2 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.

### **5.2.3 Prioritize programs and services**

The city will 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.

### **5.2.4 Maintain existing services over providing new services**

The city will ensure that it maintains the quality of existing core services before it adds new services unless there is an explicit decision to lower the quality of existing services in favor or providing a new service based on strategic goals and objectives. Essential services may receive priority for funding. The city will maintain current service levels for all essential services. The city will identify low-priority services for reduction or elimination, if necessary, before essential services. New services and programs shall be evaluated for long-term sustainability.

### **5.2.5 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.

### **5.2.6 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. At no time, will the biennial budget be balanced at the expense of long-term financial health.

## **5.3 Budget Scope & Basis**

The City will adopt budgets for all funds on a biennial basis per Washington State law. 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 will be adopted by ordinance of the City Council, at the fund level, 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**

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. Recurring revenue should equal or exceed recurring expenditures in both the proposed



and adopted budgets. If a structural imbalance occurs, then a plan will 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-recurring expenditures if the fund reserve targets are met.

### 5.5 Cost Allocation

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

#### 5.5.1 References

OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribe Governments."

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

Costs shall only be allocated to departments that receive indirect support services. Only costs allowable for allocation in accordance with the requirements of OMB Circular A-87 shall be included in the cost allocation plan. This means that the City's resulting allocation plan will meet federal grant cost allocation requirements. It is the responsibility of staff creating the department's indirect cost allocation plan to review OMB Circular A-87 and ensure that only allocable costs are included.

As part of the biennial budget development process, costs will be allocated based on the projected year budget forecast. Annually, a year-end adjustment or true up will be completed for the previous year's difference between budget-to-actual results or allocated based on actual costs. The true up will occur as part of the year-end financial reconciliations in preparation for the annual audit.

#### 5.5.4 Basis of Allocation

Indirect cost allocation methods, as defined in financial procedures, 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. The Finance Director is responsible for preparing and determining which factor(s) will best accomplish this based on input from Direct Service Department Directors.

### 5.6 Budget Amendments

All budget amendments, such as shifting budget allocations from one fund to another fund, 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

Department managers may, upon approval by the Mayor and City Administrator, request inter-departmental line-item budget adjustments for operating purposes only. These administrative budget adjustments, authorized as per Ch. 35A.33.120 RCW, may be for contractual, supplies and materials and other miscellaneous line items within the department. No administrative adjustments are allowed for increases to salary and benefit line items. The process for requesting an administrative budget adjustment is defined in financial procedures.

### 5.7 Service Levels and Funding

The City will endeavor 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 Non-Profit Organization Funding Requests

The City receives requests from non-profits 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 and funding per Section 2.4.4 Human Services Fund Reserves

### 5.8 Maintenance and Replacement

Maintenance and replacement funding will 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 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. Financial procedures will identify the processes to include:

- Complete inventory and periodic measurement of physical condition
- Establish condition/functional standards by asset class
- Evaluate infrastructure and other assets and then set priorities
- Monitor and communicate progress

#### 5.8.1 Capital Asset Management

The City inventories and assesses the condition of its buildings, equipment, and vehicles on a periodic basis. The budget process includes a multi-year projection of facilities, equipment, and vehicle replacement requirements. The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment. Future maintenance needs and repairs will be cost out and included as budgetary decision criteria through the Internal Service Fund designated for Fleet, Facility, and Equipment maintenance.

### 5.9 Enterprise Fund Budgets

Enterprise operations are to be self-supporting, including capital improvements and depreciation. Enterprise operations are to be reviewed annually for self-sufficiency and proper cash-flow needs. Utility Rate studies, which occur every five years, will be included in the budget development process in the year for which new rates are established. Enterprise operating 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 on the city website and at City Hall. The city will maintain an internal control system to support adherence to the budget allocations. Regular reports comparing actual revenues and expenditures to budgeted amounts will be provided to departments monthly. **The City Council will review a quarterly Financial Performance Report to include budget versus actual reporting.**

## 6.0 CAPITAL BUDGET

### 6.0 Objective

The City of Snoqualmie Capital Budget will have a major impact on 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 will 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**
- **Ensure appropriate planning efforts to changing demands on a diverse infrastructure and capital asset**
- **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 Improvement Plan (CIP)

The Capital Budget will be formally known as the Capital Improvement Plan (CIP) and will describe the capital investments the city intends to make over a period of six years with a long-term outlook extending twenty years. The CIP will incorporate all master and functional plans wherever capital projects and programs are identified in those plans. Master plan changes will be incorporated into the CIP during the next biennial capital budget cycle. The CIP will serve as a comprehensive guide for all capital projects – based on asset types - where the City Council will address capital infrastructure improvements, capital equipment needs, and the effect on the City's resources.

The City Council will review the CIP biennially and coordinate development of the multi-year Capital Budget prior to the development of the biennial operating budget. The off-year capital budget cycle will allow for public engagement efforts to discuss potential projects and programs with the community and include major changes that occur or are discovered. As resources are available and projects are financially feasible, the two most current years of the 6-year CIP will be recommended for incorporation into the upcoming biennial operating budget as capital project budget line items. The operating budget will refer to the capital budget for detailed project

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information. Subsequent years of the CIP are for planning purposes only and may be altered as they advance toward the budget inclusion year.

### 6.2 CIP Criteria and Ranking

Criteria, project ranking and overall priority guidelines, defined in financial procedures, will be utilized by the City Council. CIP projects will be evaluated and ranked using the criteria. All projects submitted to the CIP will be initially ranked by departments. 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 will modify and/or finalize project rankings. Funding is a critical component of the criteria and ranking schedule. In addition to project scoring, projects need an overall description, justification for the project and the connection to a master plan or strategic plan reference as needed. Projects shall also be identified as unfunded, partially funded, or fully funded.

City of Snoqualmie			
Capital Improvement Plan			
Capital Priority Definitions & Project Ranking Score Matrix			
Priorities			
Category	Definition	Scoring Range	CIP Priority
Essential	Project must comply with court order, legislative mandate or is critical to the health, safety and general welfare of citizens	90-100 points	1
Desirable	Project is important to the general welfare of the community, operation or maintenance of a physical asset. Due to the nature of the project or its timing, it is desirable to complete relative to capital budget policy objectives	70 to 89 points	2
Acceptable	Project provides a public operational improvement. Due to the nature or scheduling of the project, it is not critical or important in relation to financial capabilities, needs or other program requirements	50-69 points	3
Deferrable	Project is in conflict with a master plan schedule or for which there are serious need, cost, justification or timing questions	30-49 points	4
Hold	Project will not be started until the completion of a study, submission of additional data or significant funding source is secured	0-29 points	5

### 6.3 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, right-of-way, design, permitting, inspections, mitigation, construction, in-house staff time, inflationary costs and contingency shall be included in the project identification.

#### 6.3.1 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 capital financing strategies used by the Snoqualmie City Council 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

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- Mitigation and impact fees may 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

### **6.3.1.1 Funding Source Cash Flow**

Funding sources, such as REET or Mitigation, that are accumulated within special revenue funds will be reviewed as part of the biennial CIP development process for sufficient cash flow and long-term impact on the fund. 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.

### **6.3.2 Project Costs**

For the CIP, capital outlay is distinguished from capital projects and programs. Capital outlay may include expenditures for small minor projects, such as equipment replacements, between \$5,000 and \$49,999 and/or having less than an estimated five years of useful life. Capital outlay type expenditures will be included in the operating budget, as well as master planning or professional services of any size and scope, adopted by the City Council, shall be budgeted for within the operating budget as a separate line item identified as capital outlay.

All capital projects or capital equipment purchases at least \$50,000 and/or having a useful life of five years or more are included in the CIP. These projects include large capital maintenance and replacement items that extend the useful life of the capital asset. Projects may not be combined to meet the minimum standard unless they are dependent upon each other. Projects may 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.) will not be considered within the CIP.

#### **6.3.2.1 Impact on Operating Budget**

All projects submitted for inclusion in the CIP will be reviewed by the requesting department and Finance Director 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

#### **6.3.2.2 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.

## **6.4 Planning Process**

The capital budget and CIP development process will begin prior to the biennial budget development process. The Mayor and Administration will 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.

### 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:

- Only obtain financing when necessary
- 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 inter-fund 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 Inter-Fund Loans as per the BARS Manual Part 3, Chapter 4, Interfund Transactions, Section 1
- Issuance of Councilmanic Bonds to fund proprietary capital infrastructure projects such as water, sewer, and storm water
- Issuance of Councilmanic Bonds for capital projects that generate adequate revenues from user fees to support operations and or debt service requirements
- Issuance of Councilmanic Bonds for capital projects that are authorized to be supported by the General Fund 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:

- Reserving portions of the 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 will 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 Refunding Bonds

As a rule, existing debt obligations will be refunded through the issuance of refunding bonds unless the refunding plan will achieve a net present value savings of at least 2.0%.

### 7.3 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.

### 7.4 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 designee who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate personnel and their procedures in the absence of the Finance Director.

### 8.5 Investment Procedures

The Finance Director shall establish written financial procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

### 8.6 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.

### 8.7 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.

### 8.8 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.

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**Certificate of Deposit:** A negotiable or nonnegotiable instrument issued by commercial banks, located in the State of Washington, and insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC), or, if exceeding \$100,000 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.

### 8.9 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.

### 8.10 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; however, no more than 20% of the total investments should extend beyond five years. Unless prior City Council approval is received, no investment with a maturity exceeding 10 years will be purchased.

- 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.

### 8.11 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 a 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 recurring available resources.

### 9.1 Model Objective

A 20-year Financial Model that integrates the 6- year Capital Improvement Plan (CIP) is utilized to assist the City Council, Mayor, Administration and Departments in strategizing and aligning financial capacity with the City Council Strategic Plan. The long-term financial model serves as a foundation for conversations regarding allocation of resources and project planning. The forecasting model utilized will be **conservatively objective** to minimize the risk of being too optimistic in forecasting revenue sources.

The model will include an analysis of historical, current, and future year's financial environment, revenue, operating and capital expenditure forecasts, debt positions and affordability analysis. 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 conform to Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). 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 Comprehensive Annual Financial Report (CAFR) and the Washington SAO will conduct an audit of the City financial transactions, contract management and internal control. The report will include a financial opinion and a management and compliance report on internal controls. This report shall be made available to elected officials, city management, bond-rating agencies, and the public.

### 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 Finance Director shall develop internal control processes or financial procedures 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 may determine for write offs to a bad debt expenditure

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up to **\$5,000**. City Council approval is required for balances above this 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 within financial procedures. Bank accounts will be reconciled monthly.

### 10.3 Capital Asset Threshold

Real property, titled vehicles and utility system components shall be considered capital assets. All other property, with a value of **\$50,000** or more and a useful life of five years or more shall be considered capital. For purposes of asset disposition and equipment replacement planning, the City shall depreciate capital assets under a straight-line method, based on the asset useful life to a book value of \$1.00 or salvageable value.

### 10.4 Inventory of Small and Attractive Items

Operating departments shall be responsible for conducting regular inventory of their small and attractive items (i.e., cell phones, tablet, hand tools and power equipment) and submit a physical inventory to the Finance Director. Asset management and inventory procedures are defined in financial procedures.

### 10.5 Surplus Assets

The mayor may 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. The process for surplus assets is defined in financial procedures. The Finance Director shall be responsible for the accounting of all surplus property transactions.

#### 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 may be surplus after a public hearing and subsequent City Council resolution.

## 11.0 RISK MANAGEMENT

The City will 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.

## 12.0 PERFORMANCE MANAGEMENT

Placeholder for Performance Management and Performance Measurements when implemented

## **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 Approved on: Date TBD– Ordinance xxxxx**

This policy replaces separate, previously adopted policies and 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 may be repealed or updated accordingly.

Reserved for Appendix