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City of Tenino

Financial Policies

Statement of Purpose

This comprehensive set of Financial Policies represents a synthesis of Statutes, Ordinances, Resolutions, and stand-alone policies that the City of Tenino has adopted over the years. This work is the direct result of both a series of findings set forth by the State Auditor's Office and the sincere desire of the Elected and Appointed Officials of the City to operate in a transparent and accountable fashion.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, inspiring public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency, and effectiveness.

Financial Goals

The City of Tenino's financial goals seek to:

- Ensure the financial integrity of the City
- Manage the financial assets in a sound and prudent manner
- Improve financial information for decision makers at all levels:
 - Policy makers as they contemplate decisions that affect the City on a long-term basis
 - Managers as they implement policy on a day-to-day basis
- Maintain and further develop programs to ensure the long term ability to pay all costs necessary to provide the level and quality of service required by the citizens
- Maintain a spirit of openness and transparency while being fully accountable to the public for the City's fiscal activities

Best Practices

The policies set forth in this document represent the "best practices" as promulgated by the Government Finance Officers Association, the Association of Washington Cities, and the Municipal Research and Service Center.

I. GENERAL POLICIES

- A.** The City Council retains the ultimate authority to adopt, change, or implement these or any other policy the Council deems necessary to further the City's financial interests.
- B.** The Mayor shall have the authority to publish directives and general procedures for implementing the financial policies adopted by the City Council.
- C.** Department Heads shall keep these policies uppermost in their minds as they execute their responsibilities during budget development and execution. All City Employees shall operate within these policies in order to ensure the City's long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
- D.** Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the state and federal level.
- E.** The City shall initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
- F.** The City will strive to maintain fair and equitable relationships with its contractors and suppliers.
- G.** The City shall provide for the continued financial training and education of all employees whose duties include any aspect of financial administration. The Clerk/Treasurer shall be responsible for programming and tracking such education and training.
- H.** The Operating Environment. Tenino is a small city and is without an FDIC-insured bank within the City limits. The City also has a small staff. These two factors combine to make strict compliance with some statutes and many "best practices" impractical. Even so, the City will make every reasonable effort to conduct operations within such best practices wherever it is practical. Along these lines, the City will comply with the following policy provisions:
 - 1.** Cash Receipting. By authority of RCW 43.09.240, The Clerk/Treasurer of the City of Tenino hereby declares the daily deposit of funds to be impractical. In the alternative, the City will make no less than two such deposits per week until such time as an FDIC-insured bank is established within the City Limits. All such funds shall be secured in a bank-provided depository bag which shall be kept secured in the City's vault between such deposits. The City shall employ other such security measures within its budget to ensure the security of all such public funds.
 - 2.** General Disbursements.
 - a.** The Utility/Admin Clerk will establish vendor accounts and will immediately notify the Clerk/Treasurer when they have done so. The Clerk/Treasurer will review such vendor profiles for accuracy and completeness.

- b. The Court/Admin Clerk will enter invoices relating to all vendor accounts thus created and reviewed. The Court/Admin clerk will cause checks to be printed, but will withhold them for signature until all such vouchers have been approved by the City Council.
3. Payroll. The Admin/Utility Clerk will serve as the Payroll Clerk.
- a. Whenever the Payroll Clerk has established an account for a new employee, the Payroll Clerk will notify the Clerk/Treasurer, who will review the account for accuracy and completeness.
 - b. The Payroll Clerk will notify the Clerk/Treasurer anytime a change is made to any employee's account. The Clerk/Treasurer will review any such change for accuracy and completeness.
4. Automated Clearinghouse (ACH) Transactions.
- a. Automated Clearinghouse (ACH) transactions are increasingly becoming the preferred method of bill payment and are the next logical progression from wire transfers.
 - b. With the advent of ACH transactions, there has been a corresponding rise in fraudulent transactions.
 - c. ACH/Wire Transfer fraud occurs when employees are deceived by fraudulent vendors to wire/ACH to bank accounts that are controlled by the fraudulent actor(s).
 - i. They use language that might be specific to the person or the company they are targeting and then request a fraudulent ACH/wire transfer using dollar amounts that would not be out of the ordinary based on the vendor.
 - ii. These cybercriminals use phishing emails to gain access to email accounts, then leverage trusted relationships between individuals who authorize wire transfers/ACH transactions and those who send them out.
 - d. To prevent ACH/Wire Transfer fraud, the following practices shall be employed by all employees granted ACH/Wire Transfer privileges:
 - i. Always verify the authenticity of each wire transfer request. Call the person, using a number you have previously called — not one from the current wire transfer request! — to verbally verify it
 - ii. A call-back verification process must be used when setting up payment instructions for a new vendor or making changes to payment instructions for an existing vendor
 - iii. Implement dual control and segregation of duties. The Clerk/Treasurer should never be the primary source of ACH/Wire

Transfer transactions; however, whenever the Clerk/Treasurer must make such transactions, the Utility Clerk or the Court Clerk must review each transaction.

5. Internal Controls.

- a. Treasurer's Report. The Treasurer's Report is produced by the City's accounting software (BARS Integrated Accounting System, or BIAS). The report tracks both the City's finances by line item within each fund and the amount of money in each of the City's bank accounts through the software's Bank Reconciliation routine.
 - i. The Clerk/Treasurer will produce the Treasurer's Report at the conclusion of each monthly bank reconciliation.
 - ii. The Mayor will review the Treasurer's Report for accuracy and completeness on a monthly basis.
 - iii. The Finance Committee will review the reports from the previous quarter during each meeting of the Committee and will report any discrepancies to the City Council during the next regular meeting of the City Council subsequent to the meeting of the Finance Committee where the discrepancy was noted.

II. COST ALLOCATION POLICY

All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value by the department, public improvement, undertaking, institution, or public service industry receiving the same, and no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another. (RCW 43.09.210)

- A. "Cost allocation" is the term used to describe the process for accounting and recording the full costs of a government service by including its indirect costs (or "overhead") in addition to its direct costs.
 - 1. Direct Costs are those that clearly and directly benefit a specific fund or program, such as supplies, materials, staff salaries and benefits, or consultant fees that support a single department, project, or fund.
 - 2. Indirect Costs are those that support services that are shared by multiple departments, programs, and/or funds. Some examples are accounting, payroll, administrative, or human resource salaries and benefits; information technology (IT) services for the entire City; or operating and maintenance costs for City Hall, the Public Works Department, or other buildings shared by multiple departments.
- B. To the extent practical, the City of Tenino will:
 - 1. Identify the actual cost of services being provided to our citizens by fund and program.
 - 2. Equitably share the costs of shared facilities, services, or other resources between departments, programs, and funds.
 - 3. Ensure the accuracy of cost-based user fees for public services such as utilities, developmental reviews, parks, or any other service where there is a user fee for such service.
 - 4. Relieve pressure on the general fund by allocating certain general fund costs to enterprise or other funds that receive a benefit from support services.
- C. The City's General Fund provides a variety of central services including, but not limited to; legal support, human resources, administrative functions, personnel services, billing, processing accounts payable, budget and cash management, payroll and information technology services. The City allocates these indirect costs as follows:
 - 1. Expenditures will exclude inter-fund transfers to capital improvement and/or reserve funds; rather, these transactions will be categorized as "non expenditures";
 - 2. Costs for Central Services will be allocated amongst all Departments, Programs, or funds using one of the following methods:

- a. BARS. The Washington State Auditor’s Office has the statutory authority to prescribe, and has prescribed, the use of the Budget Accounting and Reporting System (BARS). BARS uses a standardized chart of accounts that is coded to represent specific functions. To the extent that certain BARS codes inherently allocate costs, the City shall endeavor to allocate costs in that manner.
 - b. Percentage of use. Where it is practical, costs may be allocated based upon a percentage of use basis;
 - c. Percentage of Budget. Where it is impractical to use the percentage of actual cost, the previous year's budgeted expenditures or previous year's actual expenditures may be used to determine each fund's percent of the City's budget and thereby determine the proper amount to be allocated;
- D. The Finance Committee shall make all cost allocation determinations.
- E. In determining which costs should be allocated, the Finance Committee shall consider:
- 1. Staff Members. Which staff members or department support multiple departments, funds, or programs, including the support of elected officials.
 - 2. Contracted Services. Which contracted services support multiple departments, funds, or programs, including the support of elected officials.
 - 3. Facilities and Equipment. Which facilities and equipment are used by multiple departments, funds, or programs, or in support of elected officials.
- F. Once the costs to be allocated have been identified, the Finance Committee shall determine how any such allocations should be applied to the City’s enterprise (utility) funds. Utility funds, and funds with restricted revenue sources, will only reimburse for the actual benefit received from the services provided by other funds.
- G. The Finance Committee shall review, at least quarterly, the cost allocation formulae and data to ensure such allocations accurately reflect the actual costs of the services being provided.

III. DEBT MANAGEMENT POLICY

Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

- A.** The City will not use long-term debt to pay for current operations. Any form of long-term debt financing will only be considered for significant capital and infrastructure improvements.
- B.** The term of the debt shall never extend beyond the useful life of the improvements to be financed.
- C.** General obligation debt will not be used to support any enterprise activity.
- D.** The general policy of the City is to fund general-purpose public improvements and capital projects that cannot be financed from current revenues with voter- approved general obligation debt. Non-voter approved debt may be utilized when a dedicated revenue source other than general revenue can be identified to pay debt service expenses.
- E.** The general policy of the City is to establish debt repayment schedules that use level annual principal and interest payments.
- F.** Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds.
- G.** Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.
- H.** The City will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements. In no case will the City lease- purchase equipment whose useful life is less than the term of the lease.
- I.** The City will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The City will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.

IV. OPERATING BUDGET POLICY

A. Operating Budgets Generally.

1. “Balanced Budget” means a budget in which expenditures are equal to, or less than, revenues.
2. The City will strive to adopt a budget where current annual operating revenues will be equal to or greater than current operating expenditures.
3. The City Council shall adopt the budget by ordinance at the fund level.
4. Any interfund transfers and/or loans will be completed only after specific Council approval or inclusion in the approved annual budget.
5. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the planned use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves will be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.
6. Revenue and expenditure forecasts will be prepared to examine the City’s ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass five years and will be updated annually.
7. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital expenditures and/or “one-time” only General Fund expenditures.
8. Funding for new programs or services should be limited to the extent that they can be funded over the near-to-long term given the current revenue stream.
9. Department and Fund budgets shall be prepared in a manner that reflects the full cost of providing services.
10. The City will maintain all its assets at a level such that it protects the City’s capital investment and minimizes future maintenance and replacement costs.
11. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget will provide the staff the resources necessary to accomplish City Council determined service levels.
12. Budget control and accountability is maintained at the departmental level.
13. The Mayor has the authority to approve appropriation transfers between programs or departments within a fund. However, in no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment adopted by ordinance.

14. The Clerk/Treasurer, in consultation with the State Auditor's office and/or BIAS, shall determine the appropriate BARS code for each line in every fund contained in the Budget.

B. Revenues.

Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

1. Current expenditures will be funded by current revenues. The City will try to maintain a diversified and stable revenue system to protect programs from short-term fluctuations in any single source.
2. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies or reliable economic forecasters when available.
3. General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by City Council or required by law, or generally accepted accounting practices (GAAP). All nonrestricted revenues will be deposited into the General Fund and appropriated by the budget process.
4. If revenues from "one-time" or limited duration sources are used to balance the City's annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the City's goal to not rely on these types of revenues to balance the operating budget.
5. The City will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised and expenses will be reduced to conform to the revised long-term revenue forecast or revenue increases will be considered.

C. Fees and Charges

1. Enterprise and Internal Service operations will be self-supporting.
2. The City will maximize the use of users' service charges in lieu of ad valorem (property) taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided.
3. Charges for providing utility services shall be sufficient to finance all operating, capital outlay, and debt service expenses of the City's enterprise funds, including operating contingency, planned capital improvements, and reserve requirements.
4. User charges shall fund 100% of the direct cost of development review and building activities. User charges include, but are not limited to, land use, engineering inspection, building permit and building inspection fees.

5. Other reimbursable work performed by the City (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.
6. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services shall be recalculated annually and the results of the recalculation will inform the annual update of the City's Consolidated Fee Schedule.
7. The City will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.
8. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.
9. Every effort shall be made to make smaller increases applied frequently to avoid an overly burdensome future increase.

D. Grants.

1. The City Council shall be consulted prior to making application for any grant from any source.
 - a. All potential grants shall be carefully examined for matching requirements.
 - b. Grant funding for programs or items which address the City's current priorities and policy objectives shall be considered to leverage City funds.
 - c. Inconsistent and/or fluctuating grants shall not be used to fund on-going programs.
2. The City Council shall thoroughly consider the implications in terms of ongoing obligations that would be required in connection with acceptance of any grant.
3. All grants, and other federal and state funds, shall be managed to comply with the laws, regulations, and guidance of the grantor.

E. Gifts/Donations.

1. Cash.
 - a. The Mayor shall have the authority to accept gifts or donations of cash in any amount.
 - b. The Mayor shall place any such donation into the care of the Clerk/Treasurer within 48 hours of receipt of such donation.
 - c. The Clerk/Treasurer shall immediately prepare a Treasurer's Receipt for such donation.
 - d. The City Council shall be informed of such donation at the next regularly scheduled meeting of the Council.

- e. The City Council shall issue a Proclamation of Appreciation to any donor, unless such donor specifically requests to remain anonymous.
2. Non-Cash.
- a. The City Council reserves the right to accept any non-cash donations, regardless of form, when the cash value of such gift/donation exceeds \$1000.
 - b. The Mayor shall have the power to accept any cash or non-cash donations, regardless of form, when the cash value of such gift/donation is \$1000 or less.
 - c. All gifts and donations shall be managed and expended in accordance with the wishes and instructions of the donor.
 - d. Any non-cash donation shall be managed according to the City's Capital Asset Management Policy (Section VIII) or Small And Attractive Asset Management Policy (Section IX), below.
 - e. The City Council shall issue a Proclamation of Appreciation to any donor, unless such donor specifically requests to remain anonymous.

F. Expenditure Policies

1. Identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.
2. The City shall strive to adopt an annual General Fund budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.
3. Department Heads are responsible for managing their budgets within the total appropriation for their department.
4. The City will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. The City Council may approve the use of reserves, a short-term inter-fund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
5. Long-term debt or bond financing shall not be used to finance current operating expenditures.
6. The City will assess funds for services provided internally by other funds. Inter-fund service fees charged to recover these costs will be recognized as revenue to the providing fund.
7. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The City will invest in technology and other efficiency tools to maximize productivity. The City will hire additional staff only after the need for such positions has been demonstrated and documented.

8. All compensation planning will focus on the total cost of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the City.
9. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.
10. Whenever feasible, government activities will be considered enterprises if so doing will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.
11. The City will make every effort to maximize any discounts offered by creditors or vendors. Staff will also use competitive bidding per the Procurement Policy (Section VIII), below, to attain the best possible price on goods and services.

G. Accounting Policies.

1. The City shall comply with prevailing federal, state, and local statutes and regulations.
2. The City, in accordance with RCW 43.09, uses the cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
3. The City shall maintain expenditure categories according to state statute and administrative regulation. The City will use the “Budgeting, Accounting & Reporting System” (BARS) prescribed by the State Auditor for its revenue and expenditure classification.
4. The Finance Committee will review the prior quarter’s financial reports showing the current status of revenues and expenditures. The reports will be made available for public inspection.
5. Electronic financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
6. The Annual Financial Report will be prepared and submitted to the State Auditor’s Office no later than 150 days from the end of the preceding fiscal year.
7. The Annual Financial Report will be prepared in accordance with instruction issued by the Washington State Auditor’s Office. The report will provide full disclosure of all financial activities and related matters.
8. A regularly scheduled audit shall be performed by the Washington State Auditor’s Office, based on auditor requirements may be annual, biennially, or other term, which will issue an official opinion on the annual financial statements, along with a report on accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

V. FUND BALANCE & RESERVE POLICY

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the City's credit as well as its financial position from emergencies.

A. General.

1. At each fiscal year end the remaining dollars left in each fund that are undesignated and unencumbered constitute the available reserves of the City.
2. The City will include all fund balances in the annual budget.

B. General Fund. The City's goal shall be to maintain a General Fund ending fund balance in accordance with SAO FiT guidelines for any budget year.

C. Contingency Fund

1. The City's goal shall be to establish and maintain a Contingency Fund in accordance with the State Auditor's Office Financial Intelligence Tool (FiT) guidelines.
2. The contingency fund is defined as an emergency or cash flow reserve to fund one-time, emergency, or unanticipated expenditure requirements or offset unanticipated revenues fluctuations occurring in the fiscal year or one-time revenue losses.
3. Annual contributions will be budgeted from the General Fund resources as available to establish and maintain the target fund level.
4. The City Council must approve any expenditures drawn from the contingency fund, unless such withdrawal was previously authorized by the City Council during the annual budgeting process.

D. Enterprise Funds

1. The City shall endeavor to maintain Enterprise Funds with reserves equal to at least 10 percent of their adopted operating expenditures.
2. The buy-in fee into each utility enterprise fund will be reserved for capital use.

E. Additional Reserves. Additional reserve accounts may be created by the City Council to be set aside for specific purposes or special projects, for known significant future expenditures, or as general operational reserves.

- VI. INVESTMENT POLICY.** Being a “good steward” of public funds requires constant attention to the economic environment and changes in both State and Federal regulations, as well as a sound grasp of basic investment principles. Therefore, the City Council of the City of Tenino hereby adopts this “Investment Policy” based on the following general principles:
- A.** The City shall endeavor to maximize the return on any investments made consistent with the laws of the State of Washington.
 - B.** The City shall only invest in those securities authorized by the State of Washington and this policy.
 - C.** The City shall not invest monies resident in any fund where such an investment would cause that fund to not meet the criteria established by the Washington State Auditor’s Office with respect to “Cash Balance Sufficiency,” “Debt Load,” and “Operating Margin” using the State’s Financial Intelligence Tool (FiT). These criteria are set forth, below.
 - D.** Only monies in excess of the FiT criteria are eligible for investment. The FiT criteria are:
 - 1.** Cash Balance Sufficiency (60 days of operating expenditures)
 - 2.** Debt Load (debt must be less than 12% of revenues)
 - 3.** Operating Margin (net income must be greater than zero).
 - E.** Only monies from the following funds may be invested.
 - 1.** General Fund.
 - 2.** Contingency Fund.
 - 3.** Municipal Capital Improvement Fund.
 - 4.** Sewer Capital Improvement Fund.
 - 5.** Water Capital Improvement Fund.
 - F.** The City shall seek to achieve the following investment objectives in priority order:
 - 1.** Liquidity. No investment shall be made that cannot be converted to cash within 96-hours, or that cannot be “called” without penalty to the principal amount invested.
 - 2.** Safety. Every effort shall be made to mitigate risk to the principal amount of the investment.

3. Yield. All monies shall be invested with the intent of maximizing the rate of return commensurate with (1) and (2), immediately above.

G. Delegation of Authority.

1. Finance Committee. Authority is hereby delegated to the City's Finance Committee to decide:
 - a. A change in the City's Investment Advisor. Any such decision is to be made per the guidelines in Paragraph 4, below.
 - b. Which investment strategies shall be pursued.
 - c. The aggregate dollar amount of investments to be made from each fund.
2. Clerk/Treasurer. Hourly changes in the securities market requires the making of buy/sell decisions without delay. Therefore, the day-to-day management of the City's investments is hereby delegated to the Clerk/Treasurer who shall report such decisions to the Finance Committee within 48 hours of execution.

H. Internal Controls. The Finance Committee shall record, in their minutes, all decisions made with respect to the investment of public funds. Such minutes shall incorporate the notifications (if any) made by the Clerk/Treasurer with respect to investment transactions. The Finance Committee Chair shall, on a quarterly basis, report any investment decisions or transactions to the City Council for their deliberation.

I. Prudence. Investments shall be made with the judgment and care expected by a reasonable prudent investor, 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. This standard shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this written policy 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.

J. Ethics and Conflicts of Interest -- Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the 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 Mayor any material financial interests in financial institutions that conduct business with this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City of Tenino's portfolio.

Employees and officers shall subordinate their personal investment transactions to those of the City of Tenino, particularly with regard to the timing of purchases and sales.

K. Authorized Financial Dealers and Institutions.

1. Only financial institutions meeting the requirements outlined in the Revised Code of Washington (RCW) § 39.58.080 shall be used by the City for investment purposes.
2. Only fiduciaries employed by bona fide investment companies or banks and who are Accredited Asset Management Specialists (AAMS) (or equivalent) shall be used by the City to advise the Finance Committee and coordinate the City's investment transactions.
3. Financial Advisors are professional in character and thus are not covered by competitive bidding provisions. Nevertheless, the Finance Committee may solicit bids if it so desires. To help the committee in its deliberations, the committee should consider factors such as creditworthiness, authorization to provide investment services in the State of Washington, Securities and Exchange Commission (SEC) qualifications, and current financial statements or consolidated reports on file.

L. Authorized Investments. While the investment opportunities authorized by RCW 39.58, 39.59, or 43.250, are more numerous, the Finance Committee shall be limited to only the categories listed below:

1. Bonds of the state of Washington and any local government in the state of Washington.
2. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder.
3. Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.
4. The State of Washington Local Government Investment Pool (LGIP).

M. Investment Diversification. Investment diversification is key to achieving investment objectives. The Finance Committee shall examine all investment opportunities and shall, no less frequently than on an annual basis, determine if the City's investments are over-reliant on any particular investment medium. If such is found to be the case, the Committee will consult with the City's Investment Advisor and seek to diversify the City's investments.

N. Performance Standards. The City of Tenino's performance standard for investments is the rate of return provided by the LGIP. Any investment whose yield, on a quarterly basis, is found to be below the rate offered by the LGIP will be liquidated and reinvested in another authorized security that does meet the LGIP standard.

O. Reporting and Oversight.

1. The City Council reserves the right to affirm, modify, or repudiate any decision of the Finance Committee or the Clerk/Treasurer with respect to investment decisions made on behalf of the City.
2. The Finance Committee shall report the status of investment to the City Council no less than quarterly. Each such report shall contain, at minimum: 1) the amount of principal invested by fund, 2) the rate at which interest is compounded for each investment, 3) the amount of interest earned on such investments to date, 4) and the maturity date of the investments.
3. The Clerk/Treasurer shall, within 48 hours of an investment transaction, inform the Finance Committee of any such transaction made in furtherance of this investment policy.

VII. PROCUREMENT POLICY

The city desires a fair and open process for procurement of goods and services that is free from the potential for bias and conflict of interest. In addition, the City desires consistent and appropriate practices for solicitations and contracting.

- A. Authority to Enter into Agreements.** The City Council hereby reserves to itself the authority to enter into an agreement, of any type, which binds the City in any fashion.
1. Upon approval by the City Council, the Mayor shall be the sole authority to sign any agreement on behalf of the City, or any sub-element of the City.
 2. The Mayor shall never be the contract administrator for any agreement signed by the Mayor. The Mayor shall delegate the administration of any agreement to a Department Head.
 3. No Department Head may administer any agreement unless the Department Head shall have attended training regarding contract administration under the laws of the State of Washington.
- B. Code of ethics.** *“Public employment is a public trust.”*
1. Actions of City employees shall be impartial and fair.
 2. The City will not accept donations of materials or services in return for a commitment to continue to initiate a purchasing relationship.
 3. City employees may not solicit, accept, or agree to accept any gratuity for themselves, their families, or others that would, or could, result in personal gain.
 4. Personal gifts or gratuities that might influence, or give the appearance of influencing a procurement action must be declined.
 5. The following are examples of items not considered gratuities:
 - a. Discounts or concessions realistically available to the general public.
 - b. Items received that do not result in personal gain (e.g., samples to the City intended for general City use.)
- C. Conflict of Interest.** No Elected or Appointed Official, nor any City Employee, may undertake consulting, professional practice, or other assignments which would result in a conflict of interest. Any Elected or Appointed Official, or any City Employee, who recommends or approves a procurement action and who has any financial interest in

the firm involved in the purchase shall disclose her or her interest in the firm prior to recommending or approving the procurement.

- D. **Unauthorized Purchases.** Purchases for personal use are not allowed. The person ordering an unauthorized or unjustified purchase is personally liable for the costs of the purchase or contract and may be subject to disciplinary action, up to and including termination. If the purchase was made without proper authorization, but is in fact a justified purchase, then the appropriate procurement authority has the option to approve the purchase after the fact (Except where the purchase was made outside the limits of the current budget. In such cases, only the City Council may approve the purchase after the fact.)
- E. **Best Value.** All procurement actions shall proceed with the intent of providing the City with the best value for the money spent. This is oftentimes a balancing act between quality and price, but price alone should not be the single determinant of “value.”
- F. **Current Budget.** No procurement action shall proceed unless the object to be procured is within budgetary limitations and can be related to the goals and objectives approved in the City's budget. The first step in any procurement action that was not included in the current City budget shall be to bring the action before the City Council for approval. All purchases made by the City must ultimately be approved by the City Council through the voucher approval process.
- G. **Internal Controls.**
 - 1. Every reasonable measure shall be taken to safeguard personally identifiable information when such information is required incident to a procurement action. Personally identifiable information includes information such as Social Security Account Numbers, birthdates, birthplaces, and personal contact information (list is not all-inclusive.) Wherever possible, the City will seek to omit any requirement for personally identifiable information from the procurement action.
 - 2. The City shall make every effort to separate the process of initiating, approving, and administering the process related to any given procurement action. Specifically:
 - a. The person who actually receives any good or service on behalf of the City must sign the invoice or receipt tendered by the provider of the good or service, or their agent.
 - b. The person who actually receives any good or service shall not be the same person to enter the particulars of that transaction into the City's accounting system for payment.

- c. The City will make every effort to separate the entry of transactional information from the process of printing the checks intended to pay for those transactions.
 - d. All payments for goods or services must be countersigned by two authorized individuals. No checks may be signed unless the voucher supporting that check has been authorized by the City Council.
3. In the case of any procurement action that involves the use of any Federal grant monies, the standards for Internal Controls as specified by the Government Accountability Office standards for Internal Control in the Federal Government (the Green Book) must be followed (2 CFR 200.303).
- H. **Factors to be Considered.** The following items must be addressed prior to initiating any procurement action:
- 1. **Define the need.** What kind of purchase is this?
 - a. **Public Works:** all work, construction, alteration, repair, or improvement other than ordinary maintenance that is executed at the cost of the City. Examples are: demolition, remodeling, renovation, road construction, building construction, and utilities construction (list is not all-inclusive.)
 - b. **Materials, Supplies, and Equipment:** tangible items which are manufactured and are moveable at the time of purchase. Examples are: office supplies, off-the-shelf software, hardware, trucks, copy machines, auto parts, gravel, and janitorial supplies (list is not all-inclusive.)
 - c. **Services.** Services include the labor, time, or effort of a human being. The City classifies services as one of three types:
 - i. Professional Services are those provided by independent consultants that requires specialized knowledge, advanced education, professional licensing or certification, and where the primary service provided is mental or intellectual, involving the consistent exercise of judgment and discretion. Examples: accountants, attorneys, consultants, and graphic artists (list is not all-inclusive.)
 - ii. Architectural and Engineering Services (A&E Services) are those to be acquired under the authority and procedures in RCW 39.80. Examples are: engineers, land surveyors, architects, and landscape architects.
 - iii. General Services are all other service-related work that is not considered a “public work,” Professional Services, or A&E Services. Example are: building

maintenance, elevator maintenance, automotive maintenance, and instructors (list is not all-inclusive.)

2. **Determine the cost.** Every attempt must be made to determine the entire cost of the procurement action: maintenance requirements, consumable supplies, projected upgrades, sales and use taxes, and so forth. Donated materials, labor, or supplies should not be included in the cost.
3. **Process.** Which procurement method should be used: Personal Reimbursements, Purchase Card, Small Works Rosters, Formal Bidding Procedures? The table at Appendix A shall be used to select the appropriate process.
 - a. **Small Purchases of Goods and Services.** These are typically for goods and services under \$1000 (but exclude any Public Works). Methods are listed in order of priority:
 - i. Established Vendor Account.
 - ii. City-issued Purchase Card.
 - iii. Personal Reimbursement.
 - b. **Large Purchases for Materials, Supplies, and Equipment.**
 - i. State Contracts. The Washington State Department of Enterprise Services has established hundreds of contracts of which the City may avail itself. By using an established contract, the City does not need to undertake its own competitive process.
 - ii. The Competitive Process. If the City cannot take advantage of a State Contract (or there is no State Contract), the City must employ the bidding process in accordance with RCW 35.23.352. When the bidding process is required, the requirements in paragraph VII H 3 (b), below, shall be observed.
 - c. **Public Works.** The term “Public Works” means “all work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or this is by law a lien or charge on any property therein.” (RCW 39.04.010) Within the State of Washington, Public policy favors competitive bidding for public works contracting, and, in general, ambiguous statutes are construed in favor of requiring that procedure. The City of Tenino is a non-charter Code City. As such, RCW 35.23.352 outlines the requirements for any public works contract. The table at Appendix A summarizes these requirements. Purchase Cards shall never be used to procure goods or services as part of any public works project.

- i. Small Works Rosters. The City of Tenino subscribes to “MRSC Rosters” for the maintenance of its small works rosters. The table at Appendix A summarizes when the use of small works rosters is appropriate.
- ii. State Contracts. State contracts may be used in support of public works. See paragraph VII C 2 (a), above.
- iii. Competitive Bidding Process. When the bidding process is required in accordance with RCW 35.23.352, the following shall be observed:

- The mailing address for all bids shall be:

City of Tenino
ATTN: Clerk/Treasurer (Bid From (Insert Bidder’s Name))
P.O. Box 4019
Tenino, WA 98589

- The time for opening of any bid submitted shall be at 10:00 a.m. on the day specified in the Request for Proposal
- The place of opening of any bid submitted shall be Council Chambers at Tenino City Hall, 149 Hodgden Street S, Tenino, WA 98589
- No bids may be opened unless there shall be at least two City employees present at the time of opening.

4. Protecting the City. How will the City be properly protected from liability?

a. Insurance and Indemnity.

- i. In any agreement initiated by the City, the contract administrator will coordinate with the Risk Management Services Agency for appropriate insurance or indemnity requirements to be included in the agreement prior to presenting the agreement to the City Council for approval.
- ii. Any agreement not initiated by the City will be referred to the Risk Management Services Agency by the contract administrator for review of any insurance or indemnity language present in the agreement. The contract administrator will address any concerns raised by the RMSA with the initiator of the agreement. If the initiator of the agreement is unwilling or unable to accommodate the concerns of the RMSA, the issue will be brought to the

attention of the Mayor who shall be the sole decider of whether or not the agreement should be brought forward to the City Council for approval.

b. Legal Sufficiency.

- i. In any agreement initiated by the City, the contract administrator will coordinate with the City Attorney to ensure the agreement meets all legal requirements for the type of agreement being considered. Any comments made by the City Attorney must be addressed prior to presenting the agreement to the City Council for approval.
- ii. Any agreement not initiated by the City will be referred to the City Attorney by the contract administrator for legal sufficiency. The contract administrator will address any concerns raised by the City Attorney with the initiator of the agreement. If the initiator of the agreement is unwilling or unable to accommodate the concerns of the City Attorney, the issue will be brought to the attention of the Mayor who shall be the sole decider of whether or not the agreement should be brought forward to the City Council for approval.

I. Authority. Who may approve the procurement action (not involving an agreement)?

1. Goods or Services Contained in the Current Budget.

- a. The Mayor must approve any single transaction that is, or exceeds, \$1000.00.
- b. Department Heads shall have the authority to spend funds allocated to their department when the amount of the purchase is less than \$1000.00.
- c. City Employees shall have the authority to use City Purchase Cards or established vendor accounts for routine purchases of supplies and equipment when the amount of the purchase is less than \$300.

2. Goods or Services Not Contained in the Current Budget. Neither the Mayor, nor the Department Heads, nor any City Employee may authorize any purchase for any good or service, when such purchase was not specifically contemplated in the current budget. Any request for such purchase must be brought before the City Council for approval. Any such request must contain the following elements:

- a. The specific good or service required.
- b. Justification for why the good or service must be procured outside the normal budget process. Justification must include the impact to the department making the request if the request is not approved.

- c. The total cost of the good or service, including all taxes, consumable supplies, or maintenance agreements.
 - d. The recommend fund from which monies should be provided (general fund, capital improvement fund, sewer fund, and so forth).
- J. **Who is responsible for the actual procurement?** Once the procurement has been approved by the City Council (whether “inside” or “outside” the current budget), the Mayor shall delegate the procurement action to a Department Head. The Department Head shall proceed with the procurement action in accordance with the appropriate State Statute, City Ordinance or Resolution, or Agreement under which the terms of the procurement action were secured.

VIII. CAPITAL IMPROVEMENT POLICY

The City reviews its Capital Facilities Plan on an annual basis and monitors the state of the City's capital equipment and infrastructure on a daily basis. This review and monitoring helps the City Council in setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

A. Capital Facilities Plan

1. The City has developed a Capital Facilities Plan (CFP) as defined and required by RCW 36.70A.070 which is consistent with the City Comprehensive Plan. The plan is completely updated every six years.
2. The CFP will include all projects to maintain public capital facilities required to maintain service levels at standards established by the City Council. It may also include for consideration such other projects as requested by the Mayor or City Council.
3. The CFP will provide details on each capital project plan including estimated costs, sources of financing and a full description of the project.
4. The City will finance only those capital improvements that are consistent with the adopted CFP and City priorities. All capital improvement operating and maintenance costs will be included in operating budget forecasts.

B. Capital Asset Management

1. "Capital Asset" means any single item costing \$1000 or more AND which has a useful life of three (3) years or more.
2. "Capital Purchase" means any expenditure of funds in the amount of \$3000 or more related to the procurement of goods, irrespective of the asset category. The procurement of services (including leases) may also be considered a "Capital Purchase" when the services being procured are related to an item that is listed within the Municipal Capital Improvement Fund, the Street Capital Improvement Fund, the Sewer Capital Improvement Fund, or the Water Capital Improvement Fund. All other expenditures for services, regardless of amount, shall be considered operating costs and will be expensed against the appropriate operating account.
3. The City will maintain its capital assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
4. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count/inspection.

IX. ASSET MANAGEMENT POLICY

APPENDIX A

Requirements By Project Type

PROJECT TYPE	CONTRACT VALUE	COMPETITIVE PROCESS REQUIREMENT
In-House Public Works Projects Single Craft or Trade Multiple Craft or Trade	< \$40,000 < \$65,000	May construct with city forces without calling for bids or quotes.
Small Contracted Public Works Projects Single Craft or Trade Multiple Craft or Trade	< \$40,000 < \$65,000	May construct by contract without calling for bids or obtaining quotes via the small works roster. Retainage and performance/payment bond are required.
Limited Public Works Projects	< \$35,000	Solicit electronic or written quotations from a minimum of 3 contractors from the small works roster. Retainage and performance/payment bond are required.
Small Public Works Roster Projects	\$40K - \$300K	Quotations shall be solicited from at least 5 contractors on the appropriate small works roster in a manner that will equitably distribute the opportunity among the contractors. Retainage and performance/payment bond are required.
Competitively Bid Public Works Projects	> \$300,000	Public notice and call for sealed bids. Formal award. Retainage and performance/payment bond are required.
Purchases of supplies, materials, and equipment unrelated to Public Works Projects (A competitive negotiation process may be used as an alternative to bidding for computer and telecommunications equipment, software, and related services.)	< \$7,500	Three quotes desirable.
	\$7.5K - \$15K	Minimum of 3 Quotes from approved vendor list.
	> \$15,000	Public Notice and Call for Sealed Bids required.
Purchase of A&E, surveying, or Landscape Architecture services Selection based on review of qualifications first, then negotiations to arrive at a price that is deemed fair and reasonable to the City.	< \$20,000	Review qualifications of firms on the consulting services roster and select most qualified.
	\$20K - \$50K	Review qualifications of firms on the consulting services roster and select 3-6 most qualified firms and invite proposals. Select most qualified firm using proposals.
	> \$50,000	Publish RFQ, select 3-6 firms to submit proposals. Review proposals, hold interviews, select most qualified firm.
Purchases of All Other Services	All Contracts	3 quote process for contract \$10K-20K, RFP/RFQ process for contracts \$20K-\$50K, and a formal, advertised RFP/RFQ process for contracts >\$50K. No competitive process is required <\$10K.

