

RESOLUTION NO. 1500

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FIFE, PIERCE COUNTY, WASHINGTON ADOPTING REVISED FINANCIAL POLICIES FOR THE CITY OF FIFE

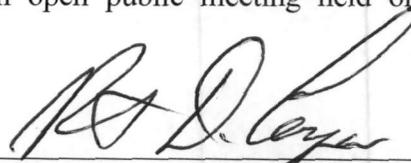
Whereas, as stewards of the public's resources, the City Council and City Manager need to ensure sound financial management of the City; and

Whereas, a clear and well-designed set of financial policies can provide consistent guidance regarding financial and budget decisions, and serve to assure citizens, creditors, grantors and others interested in the City's financial condition, that the City is operated in a fiscally sound and prudent manner; and

Whereas, it is necessary to update the City's financial policies in furtherance of the above stated goals; now, therefore

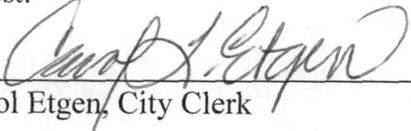
BE IT RESOLVED that the City Council hereby adopts the Financial Policies attached hereto as the Financial Policies of the City of Fife, replacing the previous financial policies.

ADOPTED by the City Council at an open public meeting held on the 25<sup>th</sup> day of September, 2012.



Robert D. Cerqui, Mayor

Attest:



Carol Etgen, City Clerk

**Section II:**  
*Processes, Policies & Summaries*

---

**Financial Policies**

As stewards of the public's resources, the City Council and City Manager need to ensure sound financial management of the City. A clear and well-designed set of Financial Policies can provide consistent guidance regarding financial and budget decisions, and serve to assure the citizens, creditors, grantors and others interested in the City's financial conditions, results of operations, and cash flows that the city is operated in a fiscally sound and prudent manner.

**Budget Policies**

As required by State law and by prudent financial management, the City shall:

- Prepare an annual or biennial balanced budget where projected resources meet or exceed projected expenditures.
- Prepare a five-year forecast of the City's revenues and expenses at the fund level so that policy makers can make near term budget decisions in the context of projected long term financial conditions.
- Establish utility rates sufficient to provide financial conditions, net positive operating results and cash flows to meet or exceed any revenue bond coverage requirements.

The City will strive to:

- Fund recurring operating expenses with recurring revenues so that ongoing needs are not adversely impacted by the loss of one-time revenues.
- Allow for funding one-time needs with non-recurring revenues wherever possible.
- Provide sufficient resources to the Contingency Fund so that it can reasonably respond to critical unforeseen needs of the City without requiring the City to divert resources from other important services, but not to exceed the legal maximum funding.
- Administer the Contingency Fund in a manner consistent with the requirements of RCW 35A.34.260, and in the event a withdrawal from the Contingency Fund is made, the City shall specify the amount to be restored, if any, and a corresponding schedule.

**Reserve Policies**

Reserves provide important protections against the regular fluctuations of local economic conditions and the month-to-month variability of revenue collections. Reasonable reserves provide the working capital needed to support City operations through these cycles and should be set at a level that can sustain City operations for the most adverse conditions that can reasonably be expected. It is most useful to define reserves as a percentage of budgeted expenses so it can be readily converted to the number of days or months the City can operate without receiving additional revenues. The City of Fife maintains its accounting records on the cash basis of accounting where revenues and expenses are only recognized when revenues are actually received and expenses when actually paid. Therefore, to properly determine the amount of the reserve in any fund, known liabilities expected to be paid from current resources will be considered as an obligation of existing cash balances (similar to the accrual basis of accounting) so that

---

---

only the unobligated portion of the cash balance is used to determine the reserve amount. The City Council, as the highest level of government within the City provides:

#### **General Fund**

- The General Fund shall have a reserved fund balance financed with property tax revenues due to the highly stable but seasonable receipt pattern (May and November) of this revenue source. The dollar amount of this reserve shall be one year of property tax revenue or two months ( i.e. 17% of annual) budgeted expenditures excluding debt service, whichever is lower.
- The General Fund may also have additional reserves but these shall be in addition to the reserve requirement above.

#### **Utilities**

- The Water, Sewer and Storm Drainage utilities combined shall maintain a minimum of two months cash reserves financed from utility rates, to provide for seasonal variability of revenues and to allow them to operate if a bi-monthly billing cycle is disrupted for any reason.

#### **Other Funds**

- The other funds of the City are used to account for restricted revenue sources provided for a specifically defined service or expense. Any reserve requirements thought prudent for operations should be determined by the City Manager as part of the budget process

#### **All Funds**

- Reserved amounts shall automatically include the amounts of cash not available for appropriation due to the restrictions imposed upon them by external parties (e.g. grantors, creditors, etc) and shall remain in effect until the restrictions are lifted.
- Limitations on expenditures due to intended use may be created in policy documents including the annual/biennial budget but shall lapse at the end of the budget period or the limitation period, whichever is later. These limitations shall be labeled as temporarily restricted and reported in accordance with the BARS manual.

#### **Accounting & Financial Reporting Policies**

The City shall utilize a "funds" accounting system wherein monies restricted for specific purposes are accounted for in separate "funds" in accordance with national accounting practices. Unrestricted monies will be accounted for in the General Fund. The City will maintain its accounting system on the cash basis of accounting as permitted by the State Auditor and will use the BARS chart of accounts as required by the State Auditor.

The City shall prepare an annual financial report using the forms prescribed by the State Auditor and will be audited on a schedule determined by the State Auditor as prescribed by State law. The City may, from time-to-time, arrange for additional audits when considered beneficial to the City's operations. Additionally, the Finance Director will prepare quarterly financial reports showing the budget versus

---

---

actually revenues and actual expenses and projecting year end results for the General Fund and utility funds, and as directed by the City Manger.

### **Debt Policies**

The City's ability to pledge its revenues in support of debt is a valuable "tool" for providing essential public services, but can threaten the City's financial flexibility and the City's credit rating if not use prudently. Excessive use of debt can also create an onerous tax burden on city property owners. Therefore, the City adopts the following policies to guide its use of debt:

- Debt shall not be used to fund operating expenses, but will be used solely to fund capital expenses (which can include city costs associated with the capital project) and long-term obligations.
- Utility debt shall be secured solely by the revenues of the utility or by special assessments in the case of Utility Local Improvement Districts (ULID's) and will not ordinarily be secured by a general pledge of the City's revenues.
- The City shall annually prepare Schedules of Liabilities and Constitutional Limitation of Indebtedness in the form prescribed by the State Auditor to report its debt outstanding and its compliance with State debt limits.
- The City shall reserve at least 20% of its non-voted legal debt capacity to provide for emergency needs.
- Long-term debt shall be structured in a manner so that the term of the debt does not exceed the expected useful life of the asset or improvement being funded.

In the event of extreme economic circumstances or natural or manmade disaster the City will modify these policies to ensure the safety and security of the community.

### **Investment Policy**

The City shall invest its cash balances in a manner designed primarily to ensure moneys are available for their intended purposes when they are needed. That is, preservation of principle is the primary objective. With that objective in mind the Finance Director will invest only in investment instruments authorized by State statutes. Investments in the State Treasurer's Local Government Investment Pool (LGIP) are considered reasonably diversified because of the asset allocation policies of the "pool."

Investment purchased directly by the City shall have maturities not exceeding four years, and the weighted average life of all such maturities shall not exceed three years.

### **Effective Date**

This update to the Financial policies is effective as of January 1, 2011, and shall remain in effect until subsequently amended or repealed by the City Council.