



FINANCE COMMITTEE

July 18, 2022

6:00 PM

Regular Meeting Agenda

8225 3rd Street
Centennial Conference Room
Wellington, CO 80549

- A. CALL TO ORDER
- B. PUBLIC INVITED TO BE HEARD
- C. ACTION ITEMS /DISCUSSION ITEMS
 - 1. Minutes from the July 11, 2022 Finance Committee meeting.
 - 2. Bylaws approval
 - 3. Policy Discussion
- D. REPORTS
- E. ADJOURN

The Town of Wellington will make reasonable accommodations for access to Town services, programs, and activities and special communication arrangements. Individuals needing special accommodation may request assistance by contacting at Town Hall or at 970-568-3380 ext. 110 at least 24 hours in advance.



Finance Committee Meeting

Date: July 18, 2022

Subject: Minutes from the July 11, 2022 Finance Committee meeting.

BACKGROUND / DISCUSSION

Approval of the minutes from the July 11, 2022 Finance Committee meeting.

STAFF RECOMMENDATION

Approve minutes as presented.

ATTACHMENTS

1. 7-11-2022 Minutes

FINANCE COMMITTEE
MINUTES
July 11, 2022
6:00 PM

A. CALL TO ORDER

The Town of Wellington Finance Committee meeting was called to order by Chair Gaiter, on July 11, 2022 at 6:00 p.m. at the Town of Wellington.

Members introduced themselves in place of roll call:

Pat Johnson
Sara Knaack
Jesy Andreen
Jason Mellin
Christine Gaiter
Dominic Baranyi
Nic Redavid was absent

Others in attendance:

Jon Gaiter, Trustee Liaison
Patti Garcia, Town Administrator
Charity Campfield, Finance Director
Vik Runkle, Finance Consultant

B. PUBLIC INVITED TO BE HEARD

Public comment was opened to which there was none.

C. ACTION ITEMS /DISCUSSION ITEMS

1. Member Mellin moved to accept the minutes from the June 27, 2022 meeting. Member Knaack seconded.
2. Reviewed & edited the draft Bylaws
3. Ms. Runkle reviewed the Department Budgets Over Time PowerPoint that was included in the Committee packet. Reviewed were the 2020 actuals, 2021 budget numbers, 2021 actuals and the 2022 budget numbers.

D. REPORTS

There were no reports.

E. ADJOURN

The meeting was adjourned at 7:25.

Pat Johnson
Finance Committee Secretary



Finance Committee Meeting

Date: July 18, 2022
Subject: Bylaws approval

BACKGROUND / DISCUSSION

The presented bylaws were reviewed by the Finance Committee on July 11, 2022.

STAFF RECOMMENDATION

Approve

ATTACHMENTS

1. Finance Committee bylaws FINAL

Wellington Finance Committee

Bylaws – Adopted 07/18/2022

Purpose - Ordinance 10-2022; Section 2-16-10

The Finance Committee Advisory Board shall serve in an advisory capacity to the Board of Trustees on matters concerning the Town's finances.

1. Duties of Finance Committee - Ordinance 10-2022; Section 2-16-10(a)-(f)
 - a) To review the Town's annual draft budget and statements of financial position as well as advise on budgeting priorities and initiatives determined by the Board of Trustees.
 - b) To make recommendations to the Board of Trustees concerning Town finances, annual budget and long-range financial planning to address the needs of the Town.
 - c) To monitor required annual, quarterly, and monthly financial reporting to lenders, creditors, and other financial institutions affiliated with the Town.
 - d) To review Town revenues and actual expenses on a monthly basis.
 - e) To review reports generated by outside consultants for matters having a financial impact such as utility rate studies, long term financial planning and potential contracts for banking or financial services.
 - f) To provide independent review of the Town's financial reporting processes, internal controls and independent auditors.
2. Elections
 - a. Election of Chair, Vice-chair and Secretary shall be carried out by a process of nomination and approval by a majority of members present at the first meeting of the Finance Committee in June of each year. Should any officer resign or be unable to carry out their duties, an election shall be held at the next scheduled meeting for purposes of filling the vacancy. If the position of Chair is vacant, the Vice-Chair will be the temporary Chair until an election for Chair can be held.
3. Rules of Order
 - a. The Committee shall conduct and discuss business in a relaxed, respectful, and open manner but shall employ Robert's Rules of Order when making motions for decision making to best memorialize the Committee's actions.
 - b. The Committee is subject to and must comply with the provisions of the Colorado Open Meetings Law (CRS 24-6-401). The records and documents associated with the Committee and their members are generally subject to the Colorado Open Records Act. Electronic communication, including email and discussion on social media platforms, is subject to the Colorado Open Meetings Law. All communications of Committee business by three or more members of the Committee, shall be held within the confines of a properly noticed meeting.
4. Duties and Powers of Officers
 - a. Chair
 - The Chair will preside at all meetings of the Committee, call special meetings in accordance with the bylaws, sign official documents of the Committee.
 - The Chair is to clarify and restate motions prior to vote.
 - The Chair will render direction and decision on procedure unless direction or decision is opposed by majority of the Committee.
 - The Chair shall present Committee reports to the Board of Trustees.

- b. Vice Chair
 - During the absence of the Chair, the Vice Chair will preside at the meeting of the Committee, render direction and decision on procedure unless direction or decision is opposed by majority of the Committee and will perform all duties and be subject to all responsibilities of the Chair.
 - The Vice Chair is responsible for managing preparation of reports and may delegate the responsibility to other Committee members.
- c. Secretary
 - Maintain minutes of the Committee meetings.
- 5. Quorum – Ordinance No. 10-2022; Section 2-16-40(c)
 - a. Four members shall constitute a quorum. A quorum is required for any items to be put to a vote a regular meeting.
- 6. Schedule of meetings
 - a. The schedule for meetings shall be established and approved by the Committee in consultation with Town staff annually in June of each year. Meetings shall be held monthly unless there is no business for consideration.
 - b. Special meetings may be called by the Chair or Vice Chair in the Chairs absence with 24 hours notice to all Committee members.
- 7. Attendance policy
 - a. After the 3rd absence of a regular meeting in one year the Committee by discretion and majority vote can recommend to the Board of Trustees the position be declared vacant.
- 8. Committee members who have personal or private financial interest in a matter before the Committee shall disclose such interest to the Committee, shall not vote on the matter, and shall not attempt to influence the decision of the Committee members. If the Chair has a conflict of interest on an agenda item, the Vice Chair shall perform the duties of Chair.
- 9. All meetings of the Committee shall be open to the public as required by the Colorado Open Meetings Law. Notice of the meeting shall be posted at least 24 hours in advance of the meeting on the Town of Wellington website. Committee members are required to provide to the Finance Director a request for a remote meeting option at least two (2) hours in advance of the scheduled meeting.

Finance Committee Meeting

Date: July 18, 2022
Subject: Policy Discussion

BACKGROUND / DISCUSSION

STAFF RECOMMENDATION

ATTACHMENTS

1. 2021 Town of Windsor Financial Policies
2. Financial policy ex. 2
3. Financial policy ex

POLICIES

BALANCED BUDGET

The Town of Windsor defines a balanced budget as one in which expenditures do not exceed available resources. Available resources are defined as annual projected revenues and beginning fund balances. Ongoing operational expenses must be funded by ongoing sources of revenue. As a matter of policy, the Town of Windsor does not use one-time revenues such as impact fees or grants to fund ongoing operations.

FINANCIAL POLICIES

The over-riding financial goal of the Town of Windsor is to keep intact Windsor's fiscal stability. There are a number of components, principles and procedures, and sub-policies used to achieve this goal, but the main focus is still on this one basic goal.

Components of Fiscal Stability

The Town of Windsor's definition of fiscal stability has several interrelated components:

- Cash Solvency – The ability to pay for current municipal operations.
- Budgetary Solvency – The ability to annually balance the budget.
- Long Term Solvency – The ability to pay for future municipal operations.
- Service Level Solvency – The ability to provide needed and desired municipal services.
- Flexibility – The ability to react and respond to changes in the economy and new service challenges without measurable financial stress.

Principles and Procedures

1. The Town shall conform to generally-accepted accounting procedures as applied to governmental units in the United States of America, and standards of the Governmental Accounting Standards Board (GASB) and Government Finance Officers Association (GFOA).
2. A balanced budget will be prepared annually by the Town Manager and Director of Finance and presented to the Town Board for consideration. The Town should seek recognition by applying for the GFOA Distinguished Budget Presentation Award.
3. The Director of Finance will present the Town Board with a monthly financial report of both revenues and expenditures for all of the Town's funds.
4. The Director of Finance shall annually prepare a Comprehensive Annual Financial Report. The report shall be audited by an independent certified public accountant. The audit shall be conducted in accordance with state statutes establishing the local government audit laws.
5. A five-year capital improvement plan should be prepared each year prior to submission of the budget.

INVESTMENT POLICIES

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Permissible investments include:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Banker's acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The majority of the Town of Windsor's investment lies in local government investment pools, which reinvest in U.S government obligations and collateralized repurchase agreements.

EXPENDITURE POLICIES

Annual budget priorities are established on the basis of reorganized organizational goals and objectives established by the Windsor Town Board. Usually, the considerations taking precedence include: Debt Payments, Police Services, Water / Sewer / Drainage Services, Street Maintenance, and Parks, Recreation & Culture.

In addition, the Town observes the following restrictive provisions on all expenditures:

- Budget Expenditures are limited to projected revenues and fund surpluses. This ensures both Cash and Budgetary Solvency.
- Ongoing operating costs should be funded by ongoing revenue sources. This protects the Town when one-time or unpredictable revenues are reduced or removed, thus ensuring Cash, Long Term and Service Level Solvency.
- Capital projects, vehicles and new equipment should initially be funded through the Capital Improvement Fund or capital funds appropriately designated as such in another fund. This ensures Cash Solvency.
- Recurring operation and maintenance costs will be funded through the General Fund or Operations and Maintenance funds appropriately designated as such in another fund. This ensures both Long Term and Service Level Solvency.
- The Town Board shall set total appropriations at the fund level, any additional appropriations or adjustments between funds shall be approved by budget amendments, ensuring Budgetary Solvency.
- Department Heads are responsible for managing Departmental budgets with the total appropriated budget, ensuring Cash, Budgetary and Service Level Solvency.

DEBT POLICY

The Town borrows money and issues short-term notes, general obligation bonds, revenue bonds, special or local improvement bonds, or any securities not in contravention of the Charter of the Town of Windsor. The Town borrows money and issues the following securities to evidence such indebtedness:

Short-term notes

Special or Local Improvement District Bonds

General Obligation Securities

A sound debt policy ensures the components of Service Level Solvency and Flexibility. It is a high priority for the Town of Windsor to maintain good communications with bond rating companies and to earn good bond ratings. The Town has developed the following policies to ensure that debt is soundly financed:

- The Town should maintain an underlying bond rating (without the issuance of bond insurance) of no less than “A-” from Standard & Poor’s Rating Services or “A1” from Moody’s Investors Services Inc. Bond insurance may be attached to any bond issue to enhance the bond rating over the underlying rating;
- Revenue sources to be used to finance debt are conservatively estimated.

In addition, the Town observes the following restrictive provisions in all issues of bonds by the municipality:

- Total general obligation debt will not exceed 10% of the total assessed valuation for tax purposes.
- The interest rate shall not exceed the market rate, with the most favorable bond pricing being obtained through either competitive bids or negotiated placement.
- All bonds issued by the Town shall contain a provision for redemption prior to maturity.
- Annual budgets include debt service payments and reserve requirements for all debt currently outstanding for all proposed debt issues. Debt service should be limited to 10-15% of operating expenditures exclusive of capital improvements and debt service expenditures.

FINANCIAL PLANNING POLICY

Sound Financial Planning Policy most directly ensures Long Term, Budgetary and Service Level Solvency as well as Flexibility.

The Town adheres to the following guidelines related to Financial Planning:

- A three-year financial plan should be developed annually to react to economic changes and accommodate regulatory and legislative mandates.
- Revenues should be conservatively estimated and expenditures budgeted at or below 100% to ensure budgetary solvency.

- The Town should accept new requirements for services only when adequate funding is available.
- Enterprise Funds should be self-sustaining. They should be charged for indirect administrative services performed by other Town departments. Operational revenue should be sufficient to fund capital costs and replacement.
- Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the policy discussion.
- The Town shall inventory and assess the condition of all major capital assets. This information will be used to plan for the ongoing financial commitments required for major repairs or replacement to be funded through the Capital Improvement Fund or Capital funds appropriately designated as such in another fund.

REVENUE POLICY

A sound revenue policy affects all of the components of fiscal stability. Ongoing provision of services cannot be achieved without sufficient funding.

- User fees for all operations should be reviewed annually to ensure rates defray operating costs and are market competitive.
- Utility rates should be reviewed annually and adjusted, if necessary, to reflect inflation, construction goals, maintain bond covenants, and avoid major periodic increases.
- The cost of utility contractual services over which the Town has no control shall be passed through to rate payers in a manner consistent with Town Board direction.
- Excess fund balances may be used to off-set rate increases where possible and fiscally responsible.
- The Town shall maximize state and federal grants, loan interest programs and other intergovernmental sources for capital needs.
- The Town shall maintain a diversified revenue system to protect it from short-run fluctuations in any one revenue source.

FUND BALANCE AND RESERVE POLICY

Guidelines for a new Fund Balance and Reserve Policy were adopted by the Town Board on July 10, 2017 in Resolution No. 2017-50. This policy established strategies for operational, capital emergency, and debt servicing funding, and ensuring reasonable reserves in the Town's portfolio of funds. The Town Board expressed interest in establishing policies directed at ensuring reasonable fund balances in all fund categories, such that future financial commitments and contingencies may be accommodated. The Town Board concluded that a strategic structuring of fund balances is advisable, particularly in the context of anticipating emergencies and facilitating accelerated debt retirement. This policy is deemed to promote the public health, safety and welfare through responsible fiscal strategy.

COMPONENTS OF THE FUND BALANCE POLICY

Operating money

Operating money requires the most scrutiny. This is the money used to pay for the daily operations. Guidance from the Government Finance Officers Associations (GFOA) concerning the General Fund recommends 2 months of operating expenses as a fund balance. GFOA also recommends 3 months operating expenses in the enterprise fund balance.

Capital Money

The current policy states that a project is not funded if there are not sufficient resources. This still holds true. To further define a proper fund balance, the Town should keep at least one year of depreciation as a base for these funds.

Criteria for the Fund Balance Policy

1. Fund Balance General Strategy. As a preliminary matter, the Town's fund balance strategy will be structured in four (4) levels:

Level 1: Two (2) full months' operating expenditures for governmental funds, three (3) full months' operating expenditures for TABOR-qualified enterprise funds.

Level 2: Funding for capital projects identified in the Town's approved Capital Improvement Plan.

Level 3: Anticipated future commitments and unforeseen emergencies.

Level 4: Accelerated retirement of debt, accelerated retirement of lease-purchase obligations, savings for future projects, and economic incentives.

2. Fund Balance Criteria. The following fund categories will be funded according to the criteria indicated below:

(a) General Fund. The General Fund will be funded at a level sufficient to meet two (2) months' operating expenses, plus any TABOR-required emergency reserves, plus any Town commitments not otherwise included in the remaining funding categories below.

(b) Capital Improvement Fund. The Capital Improvement Fund will be funded at a level sufficient to meet the amount of annual depreciation booked in this fund category for the fiscal year immediately preceding, plus any TABOR-required reserves, plus the amount of any capital improvement projects expected in the current fiscal year (including Town capital improvement commitments found in any economic incentive agreements and reimbursement agreements).

- (c) Conservation Trust Fund. The Conservation Trust Fund will be funded at a level sufficient to meet the Town's annual cost of Poudre River Trail maintenance, plus the cost of any approved qualifying projects.
- (d) CRC Expansion Fund. The CRC Expansion Fund will be funded at a level sufficient to meet two (2) months' operating expenses, plus any TABOR-required reserves, plus any annual contractually required debt service reserves.
- (e) CRC Fund. The CRC Fund will be funded at a level sufficient to meet two (2) months' CRC operating expenses, plus any annual contractually required debt service reserves.
- (f) Park Improvement Fund. The Park Improvement Fund will be funded at a level sufficient to meet the amount of annual depreciation booked in this fund category for the fiscal year immediately preceding, plus any TABOR-required emergency reserves.
- (g) Sewer Fund. The Sewer Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Sewer Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Sewer Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus the annual amount of any future water-acquisition commitments, plus any annual contractually-required debt service reserves.
- (h) Storm Drainage Fund. The Storm Drainage Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Storm Drainage Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Storm Drainage Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus any annual contractually-required debt service reserves.
- (i) Water Fund. The Water Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Water Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Water Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus the annual amount of any future water-acquisition commitments, plus any annual contractually-required debt service reserves.

3. Any funds in excess of those established above may be allocated to Level 3 or Level 4 on a case-by-case basis, considering the Town's overall fiscal health, reasonable assumptions of future circumstances, and Town Manager recommendations.
4. The criteria established within Resolution 2017-50 are advisory only. Nothing shall affect the authority and duty of the Town Manager with respect to budget recommendations. Further, nothing therein shall be construed to limit or modify the authority and duty of the Town Board to approve annual budgets in its sole and absolute discretion in future fiscal years.



RESOLUTION NO. 2014-03

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MABTON,
WASHINGTON ADOPTING A FINANCIAL POLICY FOR THE CITY OF
MABTON.**

WHEREAS, the City of Mabton and its City Council recognize the importance of sound financial planning and clear policies and guidelines for financial management; and,

WHEREAS, financial policies have been developed to guide financial planning and management and to serve as City Council's approved values and expectations for council members, city staff, citizens and other interested parties who may do business with the city,

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Mabton, Washington as follows:

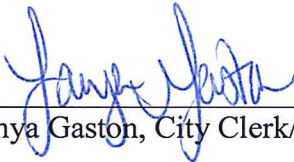
Section 1. Approval of Financial Policy 2014: City of Mabton hereby adopts Financial Policy 2014 and authorizes the Mayor to sign it.

ADOPTED AND APPROVED by the Mabton City Council on this 27th day of May, 2014.



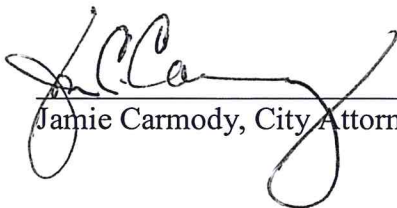
Mario Martinez, Mayor

ATTEST:



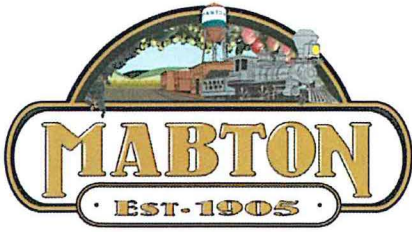
Tanya Gaston, City Clerk/Treasurer

APPROVED AS TO FORM:



Jamie Carmody, City Attorney

2014-03



CITY OF MABTON

FINANCIAL POLICY 2014

Approved by Resolution No. 2014-03

Date of Approval: May 27, 2014

POLICY PURPOSE

City of Mabton adopts this Financial 2014 Policy for the purpose of establishing consistent guidelines for municipal fiscal budget and planning. These policies incorporate Council approved values and expectations which will serve as a guide for Council members, city staff, citizens and other interested parties conducting business with the City. The policies set forth guidelines for financial planning, budgeting, accounting, reporting and other management practices. It is the City's goal to assure prudent financial management and responsible stewardship of the City's financial and physical assets.

In order to assist in fund review and management, the City Clerk/Treasurer prepares multi-year projections for the water and sewer funds which are used for budget planning and to evaluate the viability/sustainability of each of the funds. Due to constraints in financial resources, multiyear financial planning is a goal that may not be immediately achieved for in all city funds.

A. FUND DEFINITIONS

General (Current Expense) Fund (001)

This fund is the primary operating fund of the City of Mabton. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (100-199)

These funds account for specific revenues that are restricted or committed to expenditures for specified purposes of the City of Mabton.

Debt Service Funds (200 – 299)

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Project Funds (300 – 399)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds (700-799)

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds (500-599)

These funds account for operations that provide goods or services to other departments or funds of the city on a cost-reimbursement basis.

Agency Funds (631-699)

These funds are used to account for assets that the city holds for others in an agency capacity.

B. RESOURCE PLANNING AND ALLOCATION POLICIES

1. City Council and staff shall review revenues and expenditures of the various funds through the annual budget process to assure stability, continuity and fiscal integrity in the provision of all city services. The purpose of this annual planning process will be for citizens, staff, advisory committees and City Council to review, evaluate and discuss current and future programs, service levels and capital facility needs and requirements. The City shall consider relevant economic conditions, estimate revenues and reserves, changes in levels of service, operating expenses, capital requirements, and debt service for all funds.

2. City of Mabton establishes a goal to maintain and retain a minimum General Fund operating reserve or an ending fund balance of between 10% and 15% of current year General Fund revenues. A Contingency Reserve Fund shall be established and maintained at 3% to 5% of General Fund revenues. The operating reserves are intended to offset or protect against fluctuations or changes in revenues or operating costs in order to stabilize services and the City's work force. The reserve funds assure protection for provision and continuity of public services and allows time for City to adjust or address changes in revenues and economic conditions. The Contingency Reserve Fund is an emergency fund to be used to address unforeseen or emergent circumstances and allows City Council to address the situation without disrupting other budgeted commitments.

3. If a fund's ending balance is sufficient, excess reserves or other one-time revenues, may be used for capital, equipment, or other one-time projects or services that improve the City's productivity and efficiency.

4. City of Mabton shall establish and maintain a Street Fund with a budgeted ending or reserve fund balance of between 8% and 15% of annual revenues. If the Street Fund's ending or reserve balance is sufficient, excess reserves or other one-time revenues, may be used for capital, equipment, or other one-time projects or services that relate to transportation or allowable Street Fund expenditures.

5. The Operating and Capital Budgets will be incorporated into the forecast, planning and budget process. Operating and capital budgets shall be fund levels and reserves to provide for municipal operating services, maintenance and replacement of fixed assets and acquisitions determined to be reasonable or necessary for provision of public services and facilities.

6. The City's annual budget will include information related to Capital Financial Planning for the water and sewer funds. The City Clerk/Treasurer shall present a Financial Plan to the Finance Committee for consideration and recommendation to City Council. The plan shall be prepared on an annual basis and shall address current City goals and policies, and other long-range planning considerations related to capital improvement needs of the City. The Council will review and update the Financial Plan each year.

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

8. The City will use "prudent revenue and expenditure assumptions" in their budget planning documents and financial forecasts.

9. City adopts a general policy that ongoing expenditures (which exclude ending fund balances) should not exceed ongoing revenues (which exclude beginning fund balances). Clerk/Treasurer and Finance Committee shall periodically review ongoing revenues and expenses to assure compliance with budget directives and assure sustainability of public services and facilities.

10. The City may supplement the Street Fund by allocating 20% of the annual property taxes and 30% of annual Utility Taxes. Any such allocated funds shall be applied to maintenance or improvement of streets and transportation facilities. This allocation will be reviewed each year by the Finance Committee and, if deemed necessary, forwarded to City Council for proposed adjustments.

C. ACCOUNTING AND FINANCIAL PRACTICE POLICIES

1. The City will maintain an accounting and financial reporting system that complies with applicable professional standards and state accounting requirements.

2. Regardless of the budget appropriation, if a fund's revenues are less than projected, the City Clerk/Treasurer shall review the operating capital and ending fund balances and report with recommendations for possible adjustments to the City Council.

3. If a fund's ending balance meets established reserve levels, any excess reserves or other one-time revenues, may be applied by City Council for capital improvements, equipment, or other one-time projects or services that improve the City's productivity, efficiency and/or provision of public services.

D. REVENUE AND COLLECTION POLICIES

1. The General Fund and its related reserve funds exist to provide services and benefits related to the general safety, health and welfare of the community. These services include: public safety, parks, recreation and general community planning and development, a proportionate share of overhead costs for administrative and legislative services. While some services are budgeted in the general fund such as development fees, these services provide specific private benefits to the users. These services are funded by user fees to recover the City's costs.

2. Street funds are generated primarily through gas tax revenues and a portion of the city's property and utility taxes. The funds are applied to maintenance and capital improvements to the residential and arterial street system including a share of the administrative expenses of the City.

3. The City periodically compares the city's fees and charges with other nearby cities so Mabton is recovering costs at a comparable rate to other cities. Fees may be adjusted periodically to ensure that rates are current, equitable, competitive and deemed appropriate.

4. In preparing financial information for the Budget, the receipt of a grant will be included in operating fund revenues only when it is probable the City will receive a grant award. (*Probable means relatively likely but not certain.*)

E. CAPITAL FACILITIES PLANNING

1. The City will plan for capital improvements/facilities over a six (6) year period. The Capital Facilities Plan will directly relate to the long-range plans of the City Council. When capital improvements are being planned, operating costs will be estimated and identified within the City's Financial Plan.

2. Although it may not always be possible to replace capital assets on a consistent schedule, a concerted effort will be made by department heads to maintain a current inventory of capital assets, maintain and repair assets on a periodic and regular basis, and plan for and budget for replacement costs. Equipment replacement requests may be made by department heads each year during the budget cycle.

3. A capital project is defined as a project of a nonrecurring nature with a cost of \$25,000 or more and estimated service life of three (3) years or more. Major renovations of existing facilities that cost more than \$25,000 may be submitted for consideration as a capital project. Maintenance of existing facilities, however, should not be included in capital requests. Requests for funding of annual maintenance projects should be included in the appropriate operating budget through the annual budget process or requested through a budget amendment.

4. The Adopted Capital Facilities Plan Element (and as amended) of the Mabton Comprehensive Plan provides guidance for the development of the City's Capital Improvement Program and is incorporated into the budget package each year.

5. All funding sources shall be identified in the sections of the Capital Facilities Plan. The Plan shall specifically identify and list the local funds, grant funds, borrowing and other financial resources that support or fund a program.

F. DEBT AND INVESTMENT MANAGEMENT POLICIES

1. The City shall comply with debt issuance guidelines established by federal, state, and local agencies. Debt will be used prudently and in limited circumstances. The use of council manic debt authority will be reviewed and approved by City Council based on priority, need, and fund viability and applicable regulations.

2. Debt may be used on a limited basis for specific short -term cash flow requirements after consideration of other available resources. Debt will not be used to fund long-term revenue shortages. For major capital projects with long-term useful lives (normally 20 years or more) and where costs exceed short -term cash flows, debt may be utilized after City Council determines that there is sufficient dedicated revenue to service the debt.

3. The City will comply with state law and the following priorities for investment evaluation and determinations:

- a. Preserve capital through prudent financial investments;
- b. Maintain sufficient liquidity so that funds are available when needed; and
- c. Achieve the best available rate of return.

G. FINANCIAL MANAGEMENT AND ORGANIZATIONAL REVIEW POLICIES

1. Budget reviews shall be made on an annual basis with examination of all line-item costs for each department or program.

2. The City will periodically evaluate its administrative and direct service delivery systems for the purpose of evaluating system costs, benefits, sustainability and necessity. City may engage a qualified and or competitively priced private or public contractor to assist or guide system review and/or assessment.

3. The compensation of employees will be competitive with that of comparable public sector employers in the relevant recruiting or market area. The criteria for reviewing employee wages and benefits will also include internal comparability for similar jobs and the City's ability to pay. If relevant, private sector comparisons may be considered.

4. The City will, within available resources, maintain the productivity of staff through a supportive working environment, which includes appropriate equipment, supplies, materials, and professional staff development.

5. City contracts shall be reviewed and approved as follows:

- As a general rule, any contracts requiring additional budget authority shall be placed on the Council agenda and included in Council packets for consideration by City Council.
- All capital projects in which there is a material change in scope would be presented to Council for discussion, consideration and decision *(for example an extension of a sidewalk that was not part of the original project scope)*.

H. COST ALLOCATION PLAN

1. Cost Allocation. The City of Mabton shall comply with all laws and regulations in calculating and receiving full cost recovery for services rendered to other funds. Costs of shared resources must be allocated fairly. Cost allocation is a method to identify and allocate indirect costs. Direct costs are those costs directly associated with a specific projects/cost objectives. Indirect costs are those costs incurred for a common or joint purpose benefiting more than one cost objective but which are not readily assignable to a specific cost objective.

2. Guidelines and Authority. The following shall guide accounting and cost allocation: The Washington State Auditor's Office prescribes the accounting and reporting procedures for local governments in the State of Washington. RCW 43.090.200. RCW 43.09.210 provides, in part, as follows:

Separate accounts shall be kept for each department, public improvement, undertaking, institution, and public service industry under the jurisdiction of every taxing body.

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.

The statute does not provide specific guidance on how "full value" is to be determined. RCW 35A.33.122/35A.34.205/35.33.123 states:

Administration, oversight, or supervision of utility - Reimbursement from utility budget authorized. Whenever any code city apportions a percentage of the city manager's, administrator's, or supervisor's time, or the time of other management or general government staff, for administration, oversight, or supervision of a utility operated by the city, or to provide services to the utility, the utility budget may identify such services and budget for

reimbursement of the city's current expense fund for the value of such services.

- **The Federal Office of Management and Budget (OMB) Circular A-87**

OMB Circular A-87 establishes cost principles for State, local, and Indian Tribal Governments for determining costs for Federal Awards. Item 5 of the Circular states that, "The principles are for determining allowable costs only." In defining allowable costs, the Circular provides a definition of allocable costs at Attachment A, paragraph C.3.a, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." The Circular further outlines costs that are allowable for charging the Federal government and distinguishes those that are specifically excluded from recovery.

- **Governmental Accounting Standards Board (GASB)**

GASB is the independent organization that establishes and **approves** standards of accounting and financial reporting for U.S. state and local governments. While GASB is not a governmental agency and does not have enforcement authority, compliance with GASB is tested by the Washington State Auditor's Office's annual audit of the City.

3. City Allocation Plan.

The City has identified a variety of ways to identify and determine an appropriate percentage of costs for allocation to various funds. These methods include but may not be limited to the following:

- Number of employees (FTEs) in each fund
- Percentage of Budget including total operating expenses (dollar amounts) in each fund or total operating revenues (dollar amounts) in each fund
- Number of expenditure line items used in each fund
- The percentage of department time that is directly attributable to utilities

The following is the plan to allocate employee payroll costs to the various funds and or departments that utilize those employees:

- Identify the total fund and department costs to be allocated.
City Clerk/Treasurer shall meet with the Public Works Director and other Department heads in order to review and adjust allocations applying the above methods and procedures. Based on such meeting and application of the identified methods of assessment, City Clerk/Treasurer shall determine the appropriate percentages or amount to use in allocating costs between and among various funds and or departments.
- Allocate the costs to appropriate departments by percentage or amount ensuring appropriate costs are charged back to the appropriate funds and or departments.
- Each Department Head is ultimately responsible for allocation of their department salaries.

I. BUDGET DEVELOPMENT

The City of Mabton utilizes spreadsheets to compile information related to the distribution of costs among its various funds during the budget update process to ensure costs are allocated correctly. The City Clerk/Treasurer is primarily responsible for determining the final percentages or amounts charged back to the City funds/departments based on the factors mentioned above.

Cost Allocation Plan used

Each year the Cost Allocation Plan that will be used for the following year, will be included and approved by City Council as part of the overall budget package.

RESOLUTION NO. 07-2018

**A RESOLUTION OF THE CITY OF LEAVENWORTH, WASHINGTON, AMENDING
THE FINANCIAL POLICY**

BE IT RESOLVED by the City Council of the City of Leavenworth, Washington as follows:

WHEREAS, the purpose of a Financial Policy is to outline the financial goals, policies and financial reporting requirements of the City, and

WHEREAS, the City Council Finance Committee conducted an annual review of the adopted financial policy guidelines and is proposing recommendations to the policy as set forth below.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF
LEAVENWORTH, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:**

Section 1. The compilation of fiscal policies entitled “City of Leavenworth Financial Policy” attached hereto, and incorporated herein by this reference as set forth in full, is hereby amended as the official statement of financial policy for the City of Leavenworth and supersedes any revisions that have been theretofore made.

Section 2. Resolution 10-2016 is hereby repealed.

Passed by the City Council of the City of Leavenworth and approved by the Mayor this 8th day of May, 2018.

CITY OF LEAVENWORTH

By: 

Cheryl K. Farivar, Mayor

Attest: 

Chantell Steiner,
Finance Director/City Clerk

CITY OF LEAVENWORTH FINANCIAL POLICY

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1. General Financial Goals

- a. To provide a financial base sufficient to sustain municipal services to maintain the social well being and physical conditions of the City.
- b. To be able to withstand local and regional economic trauma, to adjust to changes in the service requirements, and to respond to other changes as they affect the community.
- c. To maintain an excellent credit rating in the financial community and assure taxpayers that Leavenworth city government is maintained in sound fiscal condition.

2. Operating Budget Policies

- a. The base operating budget is the City's comprehensive two-year financial plan which provides for the desired level of city services as defined by the City's priorities. A biennial budget will be developed every two years and will be reviewed annually using a "budgeting by priorities" process.
- b. The goals of the Budgeting by Priorities process are:
 - Align the budget with Council / Citizen priorities
 - Measure progress towards priorities
 - Get the best value for each tax dollar
 - Foster continuous learning in the City
 - Build regional cooperation
- c. "One-time" expenses require specific authority to be carried forward into subsequent budgets.
- d. Revenues and expenditures for the General Fund and all operating funds shall be projected for the ensuing biennium.
- e. Biennial operating budgets should provide for design, construction, maintenance and replacement of the City's capital, plant, and equipment consistent with the Capital Facilities Plan including the related cost for operating such new facilities.
- f. 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.
- g. The City will develop an equipment replacement and maintenance needs analysis for the life cycle of the equipment and will update this projection every two years consistent with budget development.
 1. The City currently maintains a schedule of replacement for the Equipment Rental and Revolving Loan Fund for Vehicles and Equipment.
 2. The City currently maintains a schedule of replacement for all citywide computer systems.

3. The City will strive to maintain a schedule of replacement for city owned facilities and equipment for the 2019-2020 biennial budget.

h. All general government current operating expenditures will be paid from current revenues and cash carried over from the prior biennium. Reports on revenues and expenditures will be prepared monthly for the Finance Committee and City Council for review. The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets. The City of Leavenworth defines a balanced budget as current biennium revenues (including fund balances) are equal to or greater than current biennium budgeted expenditures (including ending fund balances). The City will attempt to utilize beginning balances and other one-time revenues only for one-time/non-recurring expenditures such as planned capital improvements or projects.

i. All supplemental appropriations for programs (appropriations requested after the original budget is adopted) will be considered as a result of the availability of new revenues (such as unanticipated grants) or fund balance if available and without affect to a fund's minimum reserve. All supplemental appropriations will conform to the "Budgeting by Priorities" process.

3. Revenue Policies

a. The City will strive to maintain as diversified and stable a revenue system as permitted by state law to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

b. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic activities, revenue estimates provided to the City Council shall be conservative.

c. The City will estimate its biennial revenues by an objective, analytical process using past historical figures, economic changes, and suggestions provided annually by the Municipal Research and Service Center Budget Suggestions pamphlet.

d. The City will establish all user charges at a level related to the cost of providing the service and within policy parameters established by the City Council.

e. Each year, the City will review user fees to adjust for the effects of inflation and other factors as appropriate. The City will set fees for user activities, such as development and recreational services, at a level to support the direct and indirect costs of the activity.

g. The City will set fees and user charges for each enterprise fund, such as Water, Wastewater, Garbage, Stormwater, and Parking at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets. Additionally, for analysis and rate modeling purposes, the proposed rates shall also take into account debt service coverage commitments made by the City at a minimum of 100% of the annual debt service.

4. Expenditure Policies

- a. The City budget will provide for a sustainable level of service as defined in the context of the Budgeting by Priorities process.
- b. The City's operating budget will not use one-time revenues to support ongoing expenditures.
- c. The City will maintain expenditure categories according to state statute and administrative regulation. Capital expenditures shall meet the requirements of generally accepted accounting principles (GAAP) which would include purchases that will be used for at least one year such as computers, vehicles, equipment, office furniture, real property, and improvements to city infrastructure. Typically these items would have a minimum cost of \$5,000 but may be less in the case of such items as computers and equipment.
- d. The City will structure service levels in the context of financial sustainability.
- e. The City will forecast its General Fund expenditures biennially. The drivers and assumptions used in the forecast will be described when necessary. All other funds will use past historical figures and economic changes where appropriate.

5. Capital Investment Budget Policies

- a. The City will make capital improvements in accordance with an adopted capital facilities plan and six-year transportation improvement plan.
 - b. The Capital Facilities Plan, the Six-Year Transportation Improvement Plan, and the base operating budget will be reviewed at the same time to ensure that the City's capital and operating needs are balanced with each other and that the Capital Facilities Plan and Six-Year Transportation Improvement Plan is aligned with the City's other long-range plans.
 - c. The City will develop a six-year plan for capital improvements including operations and maintenance costs that will be reviewed each year. Capital expenditures will be forecasted taking into account changes in population, changes in real estate development, or changes in relevant economic condition of the City and the region.
 - d. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance and other outside resources whenever possible.
- 1. Partnership funding with non-intergovernmental partners: The City may consider entering into agreements with various non-governmental agencies for a specific project development on a case by case basis through the use of a Developer Reimbursement and Collection Agreement as defined in the Leavenworth Municipal Code or other City Council approved agreement. In general, the City is not considered a partner for development of new construction; however, the City Council may consider a financial partnership that meets at a minimum the following criteria:

- i. The project costs meet all financial criteria within this Financial Policy without jeopardizing the financial stability or credit rating of the City.
- ii. The project has been accounted for in the City's various planning documents including but not limited to the Comprehensive Plan, 6-year Capital Facilities Plan, 6-year Transportation Improvement Plan, Water, Sewer, Stormwater, Park & Recreation, Regional Trails and/or Downtown Master Plans.
- iii. The Developer provides the City with financial proof of ability to complete the construction of the project at 125% of the total estimated project costs prior to any City commitment. Financial proof could include secured bond funding notification from the bonding agency or a final line of credit from an FDIC banking institution.
- iv. The City Council may choose to incorporate additional criteria on a case by case basis for projects requesting partnership funding.

e. The City will determine the least costly financing method for all new projects.

6. Short-Term Debt Policies

- a. Short-term debt is defined as a period of three years or less.
- b. The City may use short-term debt to cover temporary cash flow shortages, which may be caused by a delay in receipting tax revenues or issuing long-term debt. The City will not use short-term debt for current operations.
- c. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's current operations. All interfund short-term borrowing will be subject to Council approval by resolution as approved for interfund loans.

7. Long-Term Debt Policies

- a. Long Term debt is that debt which exceeds three years.
- b. The City will utilize long-term borrowing for capital improvements that cannot reasonably be financed on a pay-as-you-go basis from anticipated cash flows.
- c. Acceptable uses of bond proceeds are items which can be capitalized and depreciated. Refunding bond issues designed to restructure current outstanding debt is also an acceptable use of bond proceeds provided that the net present value (NPV) of savings is at least four percent (4%).
- d. The City will determine whether self supporting bonds (such as special assessment or local improvement district bonds) are in the City's best interest when planning to incur debt to finance capital improvements.
- e. The City will not use long-term debt for current operations.

f. The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus including proactive compliance with disclosure to the secondary market.

g. General Obligation Bond Policy

1. Every project proposed for financing through general obligation debt shall be accompanied by a full analysis of the future operating and maintenance costs associated with the project.

2. Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.

h. Limited Tax General Obligation Bond Policies

1. As a precondition to the issuance of limited tax general obligation bonds, alternative methods of financing should also be examined.

2. Before general obligation bond propositions are placed before the voters, the capital project under consideration should have been included in the Capital Facilities Plan. The source of funds should describe the intended use of bond financing.

3. Limited tax general obligation bonds should only be issued under certain conditions:

- A project requires monies not available from alternative sources;
- Matching fund monies are available which may be lost if not applied for in a timely manner; or
- Catastrophic conditions.

i. Financing of Lease Purchases

1. Lease purchase financing may be used when the cost of borrowing or other factors make it in the City's best interest.

j. Loan Financing

1. The City may apply for low interest loan financing through state and federal programs such as the Department of Commerce, Public Works Board, Department of Ecology, Department of Health and any other program created for low interest financing of capital investments.

2. Under Washington State law, the public may vote to approve bond issues for General Government Purposes in an amount not to exceed 2.5% of assessed valuation. Within the General Purposes limit of 2.5%, the City may approve bond issues and/or lease purchases up to 1.5% of the City's total assessed value without a vote of the people and the remaining 1% with a vote of the people. State law also provides for an additional 2.5% of assessed valuation for Utility Purposes and 2.5% of assessed valuation for Open Space, Park and Capital Facilities of which each

requires a vote of the people. The City Council recognizes that these limits, although allowable, may not be affordable for the debt service payments; therefore, the following additional policies on use are defined and may be amended from time to time by action of the City Council:

- i. For General Purpose Limits the City Council is authorized to approve up to 1.35% of the 1.5% without a vote of the people. The remaining .15% is reserved for emergency uses only and must first be approved by resolution for use.
- ii. For General Purpose Limits the City Council is authorized to approve up to the full 1% with a vote of the people as defined by State Law.
- iii. For Utility Purpose Limits the City Council is authorized to approve up to 1% of the 2.5% with a vote of the people. The remaining 1.5% is reserved for emergency uses only and must first be approved by resolution for use.
- iv. For Open Space, Park and Capital Facilities the City Council is authorized to approve up to 1% of the 2.5% with a vote of the people. The remaining 1.5% is reserved for emergency uses only and must first be approved by resolution for use.

8. Reserve Fund Policies

a. The City will maintain General Operating Reserves at a level equal to at least 35% of the total General Fund budgeted revenue, including the beginning fund balance, development review revenue, and any significant one-time revenue. This reserve would exclude any non revenues and interfund loans within the current year. This reserve shall be created and maintained to:

1. Provide sufficient cash flow to meet daily financial needs.
2. Sustain City services in the event of a catastrophic event such as a natural/manmade disaster (e.g. earthquake, windstorm, flood, terrorist attack) or a major downturn in the economy. In general, the City shall endeavor to support ongoing operations with ongoing revenues, but may use reserves on a one-time basis to support City services pending the development of a longer term financial solution. However, in no event shall reserves be used longer than one biennium to support City operations. If reserves are used, the City will begin to replenish these reserves at the end of the biennium if a surplus exists, but no later than the biennium following their use.
3. The City will strive to build the General Operating Reserves in future years to a minimum of 40% by 2020.

b. Biennium surpluses in the General Fund will be used to fund one-time operations, capital expenditures, dedication to a Capital Facilities planned expenditure or utilized to increase the general operating reserve minimum planned for future years:

1. There are surplus balances remaining after all current expenditure obligations and reserve requirements are met.

2. The City has made a determination that revenues for the ensuing biennium are sufficient to support budgeted General Fund operations.

c. A surplus is defined as the difference between the actual beginning fund balance and the budgeted beginning fund balance. It consists of under-expenditures and excess revenues over and above the amounts included in the following biennial budget.

d. The City may also maintain, at its discretion, an Economic Contingency to serve as a hedge against economic fluctuations, fund future one-time operational and capital needs or support City services on a one-time basis pending the development of a longer term financial solution. The source of funding for this reserve is the biennium surplus as outlined in sections 8b and 8c above. Restoration of this reserve is at the City's discretion.

e. The City will maintain an Economic Contingency reserve of \$300,000 in the Lodging Tax Fund to serve as a hedge against economic fluctuations in the lodging industry, fund future one-time operational and capital needs or to address additional advertising needs due to a downturn in the economy. If reserves are used, the City will begin to replenish these reserves at the end of the biennium if a surplus exists, and fully restore those funds by no later than the biennium following their use.

f. The City will strive to maintain operating reserves by the year 2020 in the following enterprise funds; these operating reserves shall be created and maintained to provide sufficient cash flow to meet daily financial needs:

1. 25% of the Water Fund's total expenditures excluding ending fund balances, debt service principle and interest, capital expenditures, and one-time expenditures.

2. 35% of the Sewer Fund's total expenditures excluding debt service principle and interest, capital expenditures, and one-time expenditures.

3. 25% of the Garbage Fund's total expenditures excluding debt service principle and interest, capital expenditures, and one-time expenditures.

4. 25% of the Stormwater Fund's total expenditures excluding debt service principle and interest, capital expenditures, and one-time expenditures

5. 100% of one year of the Parking Fund's average debt service payment.

g. Bond reserve funds shall be created for the Water and Wastewater Funds and will be maintained at a minimum in accordance with the provisions set forth in the bond covenants. These shall be in addition to the reserves described above. If no bond covenants exist, the City will strive to maintain the bond reserve funds at a minimum of 4% of the total principle debt owing on the utility.

h. The City shall maintain an Equipment Rental and Revolving Fund reserve for fleet maintenance and equipment replacement. The Equipment Reserve Funds will be maintained at a level sufficient to meet yearly operations and scheduled equipment replacement so as to sustain an acceptable level of municipal services and prevent a physical deterioration of City assets.

i. The City shall also maintain Reserve Funds as follows:

1. All statutorily required reserve funds to guarantee debt service; and

2. The City shall strive to create a vacation/sick leave accrual reserve of 25% of the vacation/sick payout liability by 2020. All accrued vacation hours are paid in full upon separation. After five (5) years employment any unused sick leave shall be paid in full upon date of termination for any reason, except just cause, up to a maximum of thirty (30) days.

3. The City shall strive to create a 50% reserve by 2020 for the Leavenworth Civic Center Fund. 15% of the Fund's total expenditures excluding ending fund balances, debt service principle and interest, capital expenditures, and one-time expenditures will be used for operating reserves to provide sufficient cash flow purposes and the remaining 35% would be for capital related reserves.

4. The City and the Upper Valley Parks and Recreation Service Area (PRSA) shall strive to create a 25% reserve by 2020 for the Pool Fund. 10% of the Pool Fund's total expenditures excluding ending fund balances, debt service principle and interest, capital expenditures, and one-time expenditures will be used for operating reserves to provide sufficient cash flow purposes and the remaining 15% would be for capital related reserves.

5. The City maintains a Cemetery Endowment Fund that currently grows each year from 50% of all cemetery plot and niche sales from the General Fund. The purpose of this fund is to create a fund balance large enough to sustain support of annual maintenance once the Cemetery is full. The City will review this fund each biennium to determine the status of funding against investment opportunities to determine if the fund balance has reached a minimum amount for operational costs. At the time of this policy update, the fund balance is approximately \$220,000.

9. Investment Policies

a. The investment of city funds is defined by Leavenworth Municipal Code Section 3.08 and is governed by the Investment Committee that is comprised of the City Council Finance Committee, Finance Director and City Administrator.

10. Special Revenue Policies

a. The City will establish and maintain Special Revenue Funds which will be used to account for the proceeds of specific revenue sources to finance specified activities which are required by statute, ordinance, resolution, or executive order.

b. Special Revenue Funds having biennial operating budgets will be reviewed by the City during the budget process.

11. Accounting, Auditing, and Financial Reporting Policies

a. The City will establish and maintain a high standard of internal controls and accounting practices. The City accounts for revenues and expenditures on a cash basis.

b. The accounting system will maintain records consistent with accepted standards for local government accounting which is based on another comprehensive basis of accounting (OCBOA) as prescribed by the State Auditor's Office and contained in the State of Washington Budgeting, Accounting, and Reporting Systems (BARS) Manual.

c. Annual financial reports will present a summary of financial activity by major types of funds. Such reports will be available via the City's website (www.cityofleavenworth.com).

d. A small and attractive asset system will be maintained to identify certain City assets and their location.

e. The City will ensure that City records are audited bi-annually (each year individually) and which will result in the issuance of a financial opinion. The results of such audit are to be available to the public via the State Auditor's website.

12. Budget Calendar

a. In order to facilitate and implement the budget process, the Finance Department will propose a biennial budget calendar no later than August in every even numbered year.

b. The calendar will be comprehensive in nature and generally provide for a process that includes participation by the City Council, department staff, interlocal agencies and the public.