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# **THE CITY OF FIRCREST**

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## **Financial Policies**

**Resolution No. 1599**

**Approved July 23, 2019**

**Effective July 23, 2019**

**CITY OF FIRCREST  
RESOLUTION NO. 1599**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
FIRCREST, WASHINGTON, ADOPTING FINANCIAL POLICIES FOR  
THE CITY OF FIRCREST.**

**WHEREAS**, it is beneficial for the City of Fircrest to have written and adopted City financial policies; and

**WHEREAS**, written financial policies assist the elected officials and staff in the financial management of the City as well as saving time and energy when discussing financial matters, engender public confidence, and provide continuity over time as elected officials and staff members change; and

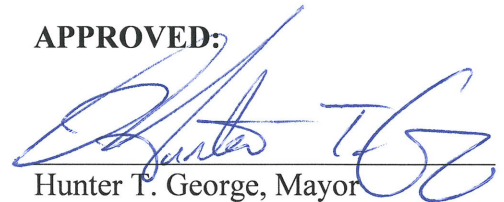
**WHEREAS**, written financial policies will help during bond rating processes, thus potentially lowering the City's interest rate when issuing bonds. Now, Therefore

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FIRCREST  
THAT:**

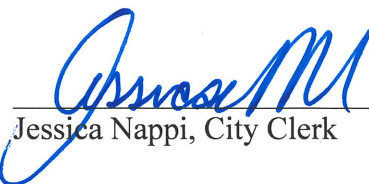
**Section 1.** The City Council hereby adopts the Financial Policies, which are attached hereto and incorporated herein by this reference.

**APPROVED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF  
FIRCREST, WASHINGTON**, at a regular meeting thereof this 23rd day of July 2019.

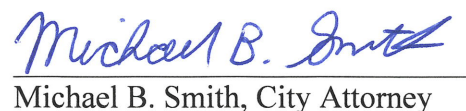
**APPROVED:**

  
Hunter T. George, Mayor

**ATTEST:**

  
Jessica Nappi, City Clerk

**APPROVED AS TO FORM:**

  
Michael B. Smith, City Attorney



## **Financial Policies Acknowledgment and Receipt**

This confirms that I: \_\_\_\_\_

- Received and read the City of Fircrest Financial Policies effective \_\_\_\_\_;
- The Financial Policies describes important information for the City of Fircrest, and I understand that I should consult the City Manager or Finance Director regarding any questions not answered in these policies;
- Understand that I am responsible for reading the Fircrest Financial Policies, familiarizing myself with its contents, and adhering to all of policies, whether set forth in this document or elsewhere;
- Understand the City may revise and update these policies and procedures from time to time;
- Understand that these policies revoke and supersede any prior policies, guidelines and procedures, or other documents as it relates to financial policies issued by the City.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employee's Name (Printed)

# Table of Contents

Statement of Purpose .....	1
Financial Goals .....	1
Financial Policies .....	1
I.    General Policies .....	2
II.   Revenue Policies .....	2
A. General Revenues.....	2
B. Fees and Charges.....	3
C. Grants and Gifts.....	3
III.  Expenditure Policies .....	4
IV.  Operating Budget Policies .....	5
V.   Capital Management Policies .....	6
A. Capital Facilities Plan .....	6
B. Capital Asset Management .....	6
VI.  Accounting Policies.....	7
VII.  Debt Policies .....	7
VIII. Cash Management and Investment Policies .....	8
IX.  Reserve Policies .....	9
A. Cumulative Reserve (created by Ordinance No. 956) .....	9
B. General Fund .....	9
C. Enterprise Funds.....	9
D. Equipment Rental & Replacement Fund .....	9
E. Additional Reserves.....	9

# City of Fircrest

## Financial Policies

### Statement of Purpose

The financial integrity of our City government is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. Our City has evolved with a variety of financial policies that can be found in many different sources including: City Council Resolutions and Ordinances; Budget documents; and Capital Improvement Programs. The set of policies within this document serve as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

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, engendering 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 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 Fircrest'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.

### Financial Policies

Fircrest's financial policies address the following major areas:

- |                                     |  |
|-------------------------------------|--|
| I. <b>General Policies</b>          | VI. <b>Accounting Policy</b>                   |
| II. <b>Revenue Policies</b>         | VII. <b>Debt Policy</b>                        |
| III. <b>Expenditure Policies</b>    | VIII. <b>Cash Management/Investment Policy</b> |
| IV. <b>Operating Budget Policy</b>  | IX. <b>Reserve Policy</b>                      |
| V. <b>Capital Management Policy</b> |  |

## **I. General Policies**

1. The City Council shall adopt resolutions or ordinances to set financial policies to assure the financial strength and accountability of the City.
2. The City Manager shall develop administrative policies and general procedures for implementing the City Council's financial policies.
3. All City Departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
4. To attract and retain employees necessary for providing high quality services, the City shall establish and maintain a competitive compensation and benefit package with the public and private sectors.
5. 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.
6. Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
7. The City will strive to maintain fair and equitable relationships with its contractors and suppliers.

## **II. Revenue Policies**

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

### **A. General Revenues**

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 non-restricted 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.
6. The City will follow an aggressive and professional policy of collecting revenues. When necessary, discontinuing service, small claims court, collection agencies, foreclosure, liens and other methods of collection, such as imposing penalties, collection and late charges, may be used.

## B. Fees and Charges

1. Enterprise and Internal Service operations will be self-supporting.
2. The City will maximize the use of service users' 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.
  - a. Charges for providing utility services should 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. Grants and Real Estate Excise Taxes (REET) may be utilized to leverage City funds to help reduce user fee increases.
  - b. User charges should 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.
  - c. Park recreation programs should strive to be funded by a users' charge. User charges shall consider the cost of comparable services where practical.
  - d. 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.
  - e. Charges for services should accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services will be recalculated periodically, and the fee adjusted accordingly. The City will maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees, charges, and utility rates will be reviewed every year during the budget process at a minimum.
  - f. The City will consider market rates and charges levied by other municipalities and comparable services for like services in establishing rates, fees, and charges.
  - g. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.

## C. Grants and Gifts

1. Grant funding for programs or items which address the City's current priorities and policy objectives should be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.
2. Before accepting any grant, the City shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.
3. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended in accordance with the City's Donation Policy (Ordinance No. 1633) and the wishes and instructions of the donor.

### III. Expenditure Policies

*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.*

1. The City will 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 or Ending Fund Balance.
2. Department Directors are responsible for managing their budgets within the total appropriation for their department.
3. The City will take 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, or fee increases. The City Council may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
4. Long-term debt or bond financing shall not be used to finance current operating expenditures unless approved by voters.
5. The City shall assess funds for services provided internally by other funds. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund.
6. 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.
7. All compensation planning and collective bargaining 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.
8. 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.
9. 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.
10. The City will make every effort to maximize any discounts offered by creditors/vendors. Staff will also use competitive bidding per the Purchasing Policy to attain the best possible price on goods and services.



#### IV. Operating Budget Policies

1. The City Council will adopt and maintain a balanced annual operating budget.
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. Balanced 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 (5) years and will be updated annually.
4. 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. If a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.
5. 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.
6. The City will provide for adequate maintenance and the orderly replacement of capital assets and equipment. Fleet and equipment replacement will be accomplished using a "rental" rate structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for the replacement of the vehicles and equipment.
7. 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 for staff and resources necessary to accomplish City Council determined service levels.
8. The City Manager shall annually present to the City Council a proposed operating budget at the second Council meeting in September or sooner. The City Council must adopt by ordinance a final balanced budget no later than December 31 of each year.
9. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the City Council.
10. Budget control and accountability is maintained at the departmental level.
11. In no case may total expenditures of a fund exceed that which is appropriated by the City Council without a budget amendment. Amendments to the budget are approved by the City Council.

## **V. Capital Management Policies**

*Review and monitor the state of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.*

### **A. Capital Facilities Plan**

1. The City will develop a Capital Facilities Plan (CFP) as defined and required by RCW 36.70A.070 which is consistent with the City Comprehensive Plan. The plan shall be for a period of six (6) 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 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.
5. A status review of the CFP will be conducted annually, and a report will be presented by the City Manager or his/her designee, to the City Council.

### **B. Capital Asset Management**

1. The City will maintain its capital assets at a level adequate to protect the City's capital investments and to minimize future maintenance and replacement costs.
2. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
3. The capitalization threshold used in determining if a given asset qualifies for capitalization is \$1,000 per item with a useful life of over one year. All capital assets shall have a City of Fircrest property tag affixed to it when placed into service.
4. Minor equipment that falls below the \$1,000 threshold but is subject to shrinkage shall have a City of Fircrest property tag affixed to it when placed into City service and will be accounted for on the "Small and Attractive" inventory list.
5. The Finance Department will conduct an annual physical count/inspection of all capital assets.
6. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count/inspection.

## VI. Accounting Policies

*Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes and with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA) where applicable.*

1. The City uses the cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
2. The City will maintain expenditure categories according to state statute and administrative regulations. The City will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classification.
3. Quarterly budget reports showing the status of revenues and expenditures will be prepared and presented to Council in a timely manner and made available for public inspection.
4. Electronic financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
5. 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.
6. The Annual Financial Report will be prepared on a cash basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles. The report will provide full disclosure of all financial activities and related matters.
7. An annual audit shall be performed by the Washington State Auditor's Office, 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.
8. The City's budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units, and as a communications device for all significant budgetary issues, trends and resources.

## VII. Debt Policies

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

1. The City will not use long-term debt to pay for current operations. The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.
2. The term of the debt shall never extend beyond the useful life of the improvements to be financed.
3. General obligation debt will not be used for self-supporting enterprise activity.
4. 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 can be identified to pay debt service expenses.
5. The general policy of the City is to establish debt repayment schedules that use level annual principal and interest payments.
6. Interest earnings on bond proceeds will be limited to:
  - a. funding the improvements specified in the authorizing bond ordinance, or
  - b. payment of debt service on the bonds.

7. 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.
8. 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.
9. 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.

## **VIII. Cash Management and Investment Policies**

*Manage and invest the City's operating cash to ensure its legality, safety, provide for necessary liquidity, avoid imprudent risk, and optimize yield.*

1. Cash and Investment programs will be maintained in accordance with the City's Investment Policy (Resolution #480) that ensures that proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
2. Currently the Local Government Investment Pool (LGIP), which is an investment vehicle maintained by the State Treasurer's Office to help local governmental entities achieve higher rates of return by pooling local funds for economies of scale, and federal bonds are the investment vehicles used for the City.
3. The City will maintain written guidelines on cash handling, accounting, segregation of duties, and other financial matters.
4. Monthly reports will be prepared and distributed to all departments and the City Council showing cash position, and year-to-date budgeted and actual expenditures.
5. The City will conduct annual reviews of its internal controls and cash handling procedures.
6. Internal controls will be tested on a quarterly basis at a minimum.

## **IX. Reserve Policies**

*Maintain the reserves 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.*

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

### **A. Cumulative Reserve (created by Ordinance No. 956)**

1. The City's goal shall be to maintain a Cumulative Reserve Fund as established by Ordinance No. 956.
2. The reserve 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. Contributions will be budgeted from fund resources as available to establish and maintain reserve levels.
4. All expenditures drawn from the reserve account shall require prior Council approval by ordinance.

### **B. General Fund**

1. The City's goal shall be to maintain a General Fund ending fund balance of at least three (3) months of the General Fund adopted operating expenditures.

### **C. Enterprise Funds**

1. The City's Enterprise Funds goal will be to maintain reserves equal to at least three (3) months of their adopted operating expenditures.

### **D. Equipment Rental & Replacement Fund**

1. Sufficient reserves will be maintained to provide for the scheduled replacement of City vehicles and capital equipment at the end of their useful lives.
2. Contributions will be made through assessments to the operating departments and maintained on a per asset basis.

### **E. Additional Reserves**

1. 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.