



Resolution No. 2008-0427

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NEWCASTLE, WASHINGTON, ADOPTING THE 2008 COMPREHENSIVE FINANCIAL MANAGEMENT POLICIES FOR THE CITY; AND REPEALING RESOLUTION NO. 156.

WHEREAS, the City Council has determined that the adoption of the Financial Policies attached as Exhibit A will assist the City in providing adequate funding for services, public facilities and infrastructure necessary to meet the community's present and future needs, guide the City in decisions that have significant fiscal impact, minimize the cost of government and financial risk, and promote sound financial management; and

WHEREAS, the City's current Financial Policies should be repealed;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF NEWCASTLE, WASHINGTON, RESOLVES AS FOLLOWS:

Section 1. The City Council adopts the 2008 Comprehensive Financial Management Policies, attached to this resolution as Exhibit A and incorporated herein by reference.

APPROVED BY THE CITY COUNCIL at its Regular meeting on Tuesday, September 2, 2008.

Ben Varon, Mayor

ATTEST:

Robert H. Baker, CMC, City Clerk

Filed with the City Clerk	08-29-08
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City of Newcastle Comprehensive Financial Management Policies

The City's Comprehensive Financial Management Policies serves as a Council-approved framework for the financial planning, budgeting accounting reporting and other financial management practices. The purpose of these policies is to ensure the City operates in a prudent manner, using sound fiscal policies to ensure the safekeeping of the City's assets and provide the delivery of needed services.

A. Chief Financial Officer

1. The Director of Finance is designated as the City's Chief Financial Officer and City Treasurer. The Director of Finance shall be responsible for the maintenance and monitoring of the City's financial controls, systems, policies, and procedures.
2. The Director of Finance is designated as the City's Auditing Officer pursuant to RCW 43.09.260 and as such will be responsible for the review of all claims and certification that the goods have been received or the services rendered and that the claims are valid and should be paid by the City.

B. City Funds

The City shall utilize "governmental fund accounting" as the organizational structure for its financial activities. The following funds have been established for budgeting, accounting and reporting.

1. The *General Fund* is the general operating fund of the City. It accounts for all financial resources and transactions, except those required to be accounted for in another fund.
2. The *Cumulative Reserve Fund for General City Purposes* is for capital purchases or for operating shortfalls due to unforeseen cost increases or unanticipated revenue losses, subject to a two-thirds majority vote of the City Council for use of monies in the Fund. The Fund was initially established to receive monies from Fire District No. 25 pursuant to distribution of its assets following the incorporation of Newcastle.
3. The *Street Fund* is required by state law to account for State-shared Motor Vehicle Fuel Tax revenue distributed on a per capita basis for transportation maintenance or capital improvements.
4. The *Real Estate Excise Tax Fund* accounts for the excise tax on the sale of real property within the City. Real Estate Excise Tax proceeds are restricted for capital expenditures pursuant to RCW 82.46.

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5. The *Transportation Impact Fees Fund* accounts for: 1) City impact fee revenue restricted for transportation capacity projects in the Capital Investment Program; and 2) impact fee revenue received in accordance with an interlocal agreement with King County. The fund will be segregated into the two types of revenue for tracking.
6. The *Parks and Open Space Fund* accounts for any revenue collected that is restricted for the acquisition, construction, improvement, and repair of parks, open space, and related facilities within the City.
7. The *Housing Trust Fund* accounts for monies designated for the development and preservation of affordable housing. The Fund receives transfers from the General Fund.
8. The *Surface Water Management Fund* accounts for fees charged to all property owners for maintenance and capital improvements to the City's storm and surface water drainage system.
9. The *Equipment Rental Fund* accounts for the expenditures for the repair and maintenance for the City's vehicles and equipment. Along with this, it has the reserves for the orderly replacement of City assets with a value over \$5,000 and an estimated life greater than one year.
10. The *Capital Investment Fund* accounts for the capital projects included in the City's six-year Capital Investment Plan.

C. Financial Planning and Budget

1. The Director of Finance shall develop on an annual basis a financial planning calendar that will provide for the timely update of the six-year financial forecasts for all City funds along with the annual process to develop, review and adopt the City's annual Budget and Capital Investment Plan.
2. A six-year financial forecast shall be prepared and updated on an annual basis for all City funds as a multi-year financial planning tool. The financial forecast shall be an integral part of the City's annual operating and capital budgeting process.
3. The City will use prudent revenue and expenditure assumptions in the development of the six-year financial forecast and budgets for all City funds. Revenue and expenditure estimates shall be conservative to generally produce variances from budget estimates in the 5% to 10% range in excess of budget estimates for fund revenues and 5% to 10% less than budget for fund expenditures.
4. Should estimated expenditures and ending fund balances exceed estimated resources in the six-year financial forecast, potential options to bring the six-year

Exhibit A

financial forecast into balance shall be included as an integral part of the annual Budget process.

5. The City's General Fund Budget and Capital Improvement Plan will be developed to implement the City Council's adopted goals and policies, long-range plans, and the service levels for the community.
6. The relationship between the General Fund and Capital Investment Fund budgets will be incorporated into the financial forecasts and the annual Budget Process. Maintenance and operating costs associated with new Capital Investment Plan projects shall be estimated and included for each project within the Capital Investment Plan. Such costs will be included in the General Fund Budget when the projects are complete.
7. The City shall prepare and adopt its Budget on an annual basis and shall comply with the provisions of state law with respect to the annual budget process.
8. The Director of Finance shall be responsible for the management of the City's annual budget development process, along with monitoring and reporting during the year. The Director of Finance shall provide timely and accurate budget monitoring reports to Department Directors and Division Managers on a monthly basis.
9. Department Directors have primary responsibility for the development, implementation, management, and monitoring of their respective Budgets in accordance with City Council and City Manager direction. Any significant variances from the adopted budget shall be reported by Department Directors to the City Manager in a timely manner.
10. The annual budget process and materials shall be developed in a manner to provide information in a readily understandable manner, and to the greatest extent possible avoid jargon, acronyms, and the like.
11. One-time resources shall be identified and shall be used to support one-time expenditures. Ongoing expenditure programs shall only be supported by ongoing resources.
12. Budgeted staff positions (part-time, full-time, and temporary) will be included in the annual Budget. The addition, elimination, or any other change to staffing levels shall be approved by the City Council.
13. In accordance with State law, the City Council will adopt the Annual Budget at the Fund level. Project budgets will also be adopted for each project within the Capital Investment Plan.

14. In accordance with State law, the City Manager is authorized to transfer budgeted amounts within any fund (budget adjustment). Any revisions that alter the total expenditure authority (Budget Amendment), or change the number of authorized employee positions, salary ranges, pay classifications, hours, or other significant conditions of employment, must be approved by the City Council.
15. The Director of Finance or his/her designee shall review all agenda items submitted for City Council action for compliance with the Budget and disclosure of fiscal issues.

D. Fund Balances and Reserves

1. The minimum Fund Balance for the city's *General, Street, and Surface Water Management Funds* shall be targeted at 10% of total estimated current year revenue. Current year revenue is defined as total estimated (budgeted) resources less beginning fund balances. Projected variances from the 10% minimum target shall be disclosed during the annual Budget process or during the current year if unanticipated circumstances occur that negatively impact current year revenue and/or expenditure projections. Fund Balance targets may be modified during the annual budget process to reflect extraordinary circumstances (e.g., projected future extraordinary expenditure demands, projected revenue uncertainty, etc.)
2. All other City Funds shall maintain ending fund balances sufficient to cover projected needs of the Funds as determined during the annual Budget process. No specific fund balance target percentages or dollar amounts are hereby established.

E. Accounting

1. The City will maintain an accounting and financial reporting system that fully meets governmental accounting professional standards and State of Washington budgeting, accounting, and reporting requirements as established in the Budgeting Accounting and Reporting System (BARS) Manual.
2. Financial procedures shall be maintained to assure appropriate internal controls are in place to protect city assets. This includes recording all purchased fixed assets in the fixed asset inventory system at the time of purchase. This enables the City to have timely and accurate financial reporting of its assets.
3. The City will report the results of operations using the cash basis of accounting allowed by the State for reporting.

F. Financial Reporting

1. The City shall prepare and submit in a timely manner an Annual Financial Report to the Washington State Auditor's Office in accordance with the standards established for such reports.

2. The Director of Finance shall provide to the City Council not less than quarterly a financial status report for all City funds pursuant to RCW 35A.33.140. This report will include comparisons of actual revenue and expenditure performance to the respective Budget estimates. Where revenue collections are, or are anticipated to be, significantly different than Budget estimates, and/or where expenditures are, or are anticipated to be significantly different than Budget estimates, the Director of Finance shall include recommendations within the report for possible adjustments or actions.

G. Revenues

1. The City will strive to maintain a diversified mix of revenues to provide for continuity and predictability of resources and to minimize the impacts of periodic economic cycles.
2. The City Council will establish cost recovery policies for all fees and charges. Such cost recovery policies shall consider the relative public/private benefits from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will specify the percentage of full costs to be recovered through the fees or charges. The level of cost recovery may be adjusted periodically by the City Council to ensure that fees and charges are current, equitable, competitive, etc. and cover the percentage of the costs deemed appropriate.
3. Staff shall provide for a periodic evaluation of the City's fees and charges to keep the fees and charges in line with Council-established cost recovery policies.
4. Where the City has authority to set fees and charges, all such fees and charges shall be adjusted annually for inflation based on the change in the Seattle-Tacoma Urban Wage Earners Consumer Price Index for the twelve month period ending June 30, or other applicable index or measure as determined by the City Council.
5. Grant revenue shall be included in the financial forecasts and annual Budgets when it is deemed likely by staff that the City will receive the grant award. Should planned or budgeted grant revenue not be received, offsetting expenditure reductions shall be implemented or alternative revenue sources shall be identified by the Director of Finance.
6. The Director of Finance shall be responsible for the establishment, maintenance, monitoring, evaluation, and testing of systems to provide for the safeguarding of City assets along with the timely accounting, investment, and processing of all receipts. All monies received by the City shall be deposited in the City's bank account(s) by the end of the next business day, unless extraordinary circumstances do not allow for making the deposits by the end of the next business day. Where

bank deposits are delayed, monies will be safeguarded (e.g., kept in a safe) until they are deposited.

7. Investment Interest shall be credited to all City funds based on the monthly cash balances.

H. Expenditures and Contract Management

1. The Director of Finance shall develop detailed procedures for purchasing, credit card usage, and contract management consistent with the policy framework established in this section. Periodic training will be provided to City staff that are involved in purchasing, authorizing expenditures, and/or contract management activities.
2. All contracts and expenditures must be related to a City of Newcastle public purpose.
3. The Department Directors have primary responsibility for purchasing and expenditures for their respective Budgets in accordance with City Council and City Manager direction. Any significant variances from the adopted budget shall be reported by Department Directors to the City Manager in a timely manner.
4. The Finance Department has secondary responsibility to review and audit all expenditures to confirm the mathematical accuracy of all payments along with verification that all expenditures are for a City of Newcastle public purpose and are supported by complete and accurate documentation.
5. City payments shall be made in a manner that provides for the greatest duration by which City monies can remain invested, consistent with payment timelines established in State law and/or City contracts.
6. City claims payments will be reviewed by a member of the City Council Finance Committee prior to the release of the checks for such payments. The Councilmember review is intended to provide for a general, high-level review of claims to assure that adequate documentation is being maintained and the initiating department along with the Finance Department are doing appropriate due diligence in their review activities.
7. City checks for the payment of claims may be issued prior to the City Council's review and approval of such claims, provided that the City Manager and/or Director of Finance have put in place the provisions of RCW 42.24.180 which include the following:

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- a) The Auditing Officer and the individuals designated to sign checks shall have in place an official bond for the faithful discharge of his or her duties in an amount equal to or exceeding \$50,000;
 - b) The City Council shall adopt contracting, hiring, purchasing and disbursing policies that implement effective internal controls;
 - c) The City Council shall provide for its review of the documentation supporting claims paid and for City Council approval of all checks issued for payment of claims at a Council meeting within one month of issuance of the checks; and
 - d) The City Council shall require that if, upon its review, it disapproves some claims, the Director of Finance and individuals designated to sign checks shall jointly establish the disapproved claims as receivables of the City and pursue collection diligently until the amounts disapproved are collected or until the City Council is satisfied and approves the claims.
8. The City will seek to optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.

I. Debt

1. Debt may be utilized to address short-term cash flow needs and/or to finance significant capital or other obligations. Debt will not be used to fund long-term revenue shortages. The City Council is required to approve the issuance of debt.
2. When evaluating the use of non-voted (councilmanic) debt and the associated debt service obligations, an analysis shall be performed to determine the City's ability to make debt service payments, taking into account revenue fluctuations associated with periodic economic cycles. Debt may be considered where the Director of Finance can demonstrate that there is sufficient projected discretionary revenue to service the debt without disrupting the City's existing service delivery programs.
3. Voted and non-voted (councilmanic) debt will be used prudently in a manner to avoid any adverse impact on the City's credit rating or ability to issue subsequent or additional debt.
4. Upon the issuance of any debt, the Director of Finance will establish the appropriate procedures to assure compliance with bond/debt covenants and applicable federal, State and local laws, policies and regulations.
5. Options for Interim or Bridge Financing for Major Capital Projects
 - a. Bond Anticipation Notes (BANS)
 - b. Interfund loans
 - c. Lines of credit with a major financial institution

J. Investments

1. The City will utilize the Washington State Local Government Investment Pool (LGIP) as its primary investment vehicle.
2. The City may utilize investments provided by the City's Bank as a supplement to the LGIP for short-term investments. All such Bank investments shall fully comply with State law as allowable investments for City monies.

K. Fixed Assets

1. Fixed assets are defined as land, buildings, equipment, and improvements to existing fixed assets costing more than \$5,000 and having a useful life in excess of one year. Assets with a value or cost under \$5,000 are to be expensed in the year of acquisition.