

**CITY OF NORTH BONNEVILLE
RESOLUTION NO. 458**

**A RESOLUTION OF THE CITY OF NORTH BONNEVILLE, WASHINGTON,
ADOPTING FINANCIAL MANAGEMENT POLICIES AND PROCEDURES.**

WHEREAS, the city council feels it is in the best interests of the city to develop a system of financial policies that will guide the city's employees in their daily duties; and

WHEREAS, in their 2011 financial audit of the city, the State Auditor's office noted that the city had made progress in improving its financial policies and procedures, but that certain matters still needed improvement; and

WHEREAS, failing to correct in a timely manner areas in which the Auditor expressed concerns may result in additional findings in the next audit; and

WHEREAS, the attached policies and procedures are intended to comply with the Auditors concerns; and

WHEREAS, the attached policies and procedures are intended to help ensure the city builds and maintains reserves to enable greater financial stability; and

WHEREAS, for similar reasons the city adopted purchasing procedures (Resolution 457), accounting policies (Resolution 446), and budget policies (Resolution 447) within the last year; and

WHEREAS, the city council recognizes that these policies will likely require refinement over time;

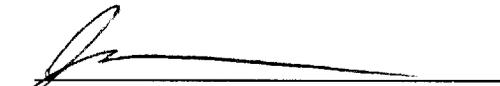
NOW, THEREFORE, BE IT RESOLVED THAT the city council of the City of North Bonneville adopts the attached Financial Management Policies and Procedures.

PASSED IN REGULAR SESSION this 14th day of May, 2013.

ATTEST:



Mayor



City Clerk

100 FINANCIAL MANAGEMENT POLICIES

101 Reserve Fund Policies

Adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

- A. It will be the policy of the City to strive to maintain a Revenue Stabilization Fund as a subsidiary fund of the General Fund at a level of at least equal to eight percent (8%) of the total General Fund budgeted revenue, excluding the beginning fund balance and identified one-time revenue. These operating reserves are maintained to address temporary revenue shortfalls; payment of approved expenditures that may cause a cash flow shortage; reserves for necessary expenditures; and temporary short-term interfund loans. Annual contributions will be budgeted from General Fund resources as available to maintain the target reserve level.
- B. In addition to the Revenue Stabilization Fund, the policy of the city will be to strive to maintain a fund balance equal to at least three months operating cash needs (25% of budgeted expenses) within the General Fund.
- C. The City will strive to maintain capital reserve funds to provide funding for the six year Capital Improvement Plan, less enterprise fund projects. The use of any funds within the Capital Improvement Funds shall be approved by the City Council.
- D. Contributions to the capital reserve funds will be made as per the budget set by the City Council.
- E. All expenditures drawn from reserve accounts shall require prior Council approval unless previously specifically authorized by the City Council for expenditure in the budget.

102 Revenue Policies

- A. To the extent possible, a diversified and stable revenue system will be maintained to shelter public services from short-run fluctuations in any one revenue source. The budget shall include trend analyses on distinct revenue sources.
- B. Revenue forecasts for major revenues (those which represent at least 10% of the General Fund) may present "conservative", "optimistic" and "best estimates" forecasts and the rationale for each. The forecasts shall be based on the best information available at the time and references to the sources of information used in the estimates should be made available.
- C. Long term revenue forecasts will assess the full spectrum of resources that can be allocated for public services. Each year the Council shall review potential sources of revenue as part of the budget process, or more often as deemed prudent.

- D. Short-term (anticipated less than one year) economic downturns and temporary gaps in cash flow: Expenditure reductions or restrictions may be imposed, or Council may approve a contribution from the Revenue Stabilization Fund or interfund loans to address temporary downturns in City revenues. Interfund loans may be utilized to cover temporary gaps in cash flow.
- E. Long-term (greater than one year) revenue downturns: Deficit financing and borrowing to support on-going operations is not the policy of the City as a response to long-term revenue shortfalls. Revenue forecasts will be revised. Expenses will be reduced to conform to the revised long-term revenue forecast or revenue increases will be considered.
- F. All potential grants shall be carefully examined for matching requirements. Some grants may not be accepted if the local matching funds cannot be justified. Grants may also be rejected if programs must be continued with local resources after grant funds are exhausted.
- G. The City shall develop and maintain a comprehensive list of various fees and charges. Fees may be set at levels sufficient to cover the entire cost of service delivery (such as in "Enterprise Funds"), or the service may be subsidized as Council deems appropriate. The City will review user fees and rates and consider adjustments to take into account the effects of additional service costs and inflation. Rate studies shall be conducted to ensure that rates will continue to support direct and indirect cost of operations, administration, plant maintenance, debt service, depreciation of capital assets, and moderate system extensions. Based on a market analysis, fees for similar services in other communities may also be considered. The criteria used to evaluate recommended target rates (equity, cost recovery policy, market demand, etc.) shall be included in the staff report during the review.
- H. The City will review contracts and leases which result in revenues to the City on a timely basis in order to provide for careful evaluation by the City Council.

103 Expenditure Policies

- A. The Mayor will only propose operating expenditures which can be supported from on-going operating revenues. Before the City undertakes any agreements that would create on-going expenses, the cost implications of such agreements will be determined for current and future years. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures will be reviewed for compliance with this policy provision.
- B. Department heads are responsible for managing their budgets within the total appropriation for their department. Any line-item savings may be used to offset expenditures elsewhere within the same fund.

- C. The City will maintain its accounting structure according to the Budgeting, Accounting and Financial Reporting (BARS) manual promulgated by the Washington State Auditor's Office.
- D. Emphasis is placed on improving individual and work group productivity rather than adding to the work force. The Mayor will invest in technology and other efficiency tools to maximize productivity whenever feasible, and will hire additional staff only after the need of such positions has been demonstrated.
- E. All compensation planning and collective bargaining will consider the total cost of compensation which includes direct salary, health care benefits, pension contributions, and other benefits of non-salary nature which are a cost to the City.
- F. In order to expedite the payment of claims and warrants, the city may issue payments in advance of city council approval only for the following (Per NBMC Section 3.70.020, "Advanced Payments"):
 - (a) Tax payments including Federal Withholding, Medicare, Social Security, and Washington State excise taxes;
 - (b) Employee pay, including mid-month draw payments;
 - (c) Employee voluntary withholding payments including employee retirement;
 - (d) Employee involuntary withholding payments such as garnishments and union dues;
 - (e) Employee benefits including medical, labor and industries insurance, unemployment insurance, and Washington State retirement;
 - (f) Automatically deducted bank fees and charges; and
 - (g) Payments that may be deducted from intergovernmental revenues including services fees and/or charges applied by Washington State and Skamania County for processing tax receipts or as may be applied by neighboring jurisdictions with whom the city enters in interlocal agreements.

The ability to issue payments in advance of city council approval shall be subject to the following conditions:

- (a) The city shall maintain a bond in an amount not less than \$50,000 for the faithful discharge of duties by each officer or employee designated to make payments.
- (b) The city council shall review the documentation supporting Advanced Payments at a regularly scheduled public meeting within one month of issuance. These payments will be separately approved as "Advanced Payments".
- (c) In the event the city council shall disapprove any claim paid with an Advanced Payment, the treasurer shall cause the disapproved claims to be recognized as receivables of the city and shall pursue collection diligently until said disapproved amounts are collected.

The following claims shall not be paid before the city council has reviewed and approved them:

- (a) Any claim which would require a budget amendment.
- (b) Any claim in excess of an amount authorized by a contract.

- (c) Any claim which is not in accordance with the city's policies.

104 Financial Management / Strategic Forecasting Policies

- A. All decisions shall be consistent with long-range plans (Capital Facilities Plan/City Improvement Plan (CIP)/Transportation Improvement Plan (TIP)). Staff shall provide a review of the implications of budgetary proposals on long-range plans.
- B. The budget shall be developed consistent with state law and in a manner which encourages early involvement with the public and City Council. A calendar of events related to budget development shall be presented to the City Council in the 2nd quarter of each year (see section 300, Budget Policies).
- C. Assumptions used in the CIP will be noted.

105 Capital Asset Acquisition, Maintenance, and Replacement Policies

- A. RCW 36.70A.070 (3) requires the city to develop "A capital facilities plan element consisting of:
 - (a) An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities;
 - (b) A forecast of the future needs for such capital facilities;
 - (c) The proposed locations and capacities of expanded or new capital facilities;
 - (d) At least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes [commonly referred to as a Capital Improvement Plan (CIP)]; and
 - (e) A requirement to reassess the land use element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element."
- B. The Capital Facilities Plan (CFP) shall be updated along with the Comprehensive Plan every eight years in accordance with state law. The Capital Improvement Plan (CIP) shall be approved annually and incorporated into the budget document.
- C. Projects in excess of \$15,000 and that have a minimum 10 year useful life must be included in the CIP. Maintenance programs and small projects may also be included.
- D. The proposed CIP may include for consideration such other projects as requested by the City Council or Mayor.
- E. Funding for capital projects shall be classified as to source (general purpose, transportation or enterprise) within the CIP. The extent to which funds exist for each project shall be described in the CIP.

- F. The CIP shall be for a period of at least six years.
- G. With the exception of “on-going projects”, each project shall be described such that development phases are delineated as separate stages of the project. Examples include land acquisition, design and construction. “On-going projects” represent annual capital programs such as pavement restoration and pedestrian/bicycle improvements.
- H. An estimate for the operating budget impact of each proposed project shall be identified and incorporated into the CIP.
- I. Any item purchased for \$5,000 or more shall be considered a capital asset (this is the Federal threshold for capital assets as of Spring 2013).

106 *Petty Cash*

- A. The City established a petty cash fund of \$50 in 1977 via ordinance 343 for the purpose of paying “small incidental expenditures of the City.”
- B. The Treasurer shall be responsible for administering this fund, and for reconciling it on a monthly basis.
- C. Petty cash shall be kept in the safe, along with all receipts.
- D. Whenever disbursements are made, the petty cash must be replenished at least monthly by check. To replenish the petty cash, receipts will be summarized in and attached to an invoice that will be processed along with other invoices and approved by Council.
- E. No receipts may be deposited to petty cash other than approved replenishments and increases authorized by ordinance.
- F. Petty cash may never be used for cash advances or loans of any type, to provide check-cashing services, or for cash advances for travel-related expenditures.

107 *Cost Allocations*

The City will comply with all laws in calculating and receiving full cost recovery for services rendered between funds. Cost allocation is a method of identifying and distributing indirect costs. Direct costs are costs assignable to a specific objective, whereas indirect costs are costs incurred for multiple cost objectives or are not assignable to a specific cost objective without effort disproportionate to the benefit received.

The City will assess fees for services provided internally by other funds. The estimated direct and indirect costs of service will be budgeted and charged to the fund performing the service. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund. A review of the method of determining the amount of the interfund assessment should be reviewed at least every 3 years.

Cost allocations generally occur from the Equipment Repair and Replacement (ER&R) Fund and from the General Fund. The City may allocate costs according to the percentage of payroll expenses incurred by each department or fund benefiting from a given service on a monthly basis. For example, ER&R Fund costs are allocated to the sewer, water, street, parks, and property management departments because each of these departments regularly uses City rolling stock.