



# Administration and Finance Committee Meeting Minutes

June 14, 2018

4:00 PM

SeaTac City Hall - Riverton Room 128

Members:	Present:	Absent:	Commence:	4:01 P.M.
			Adjourn:	5:34 P.M.
Erin Sitterley, Chair	X			
Peter Kwon	X			
Clyde Hill	X			

Other Council Members Present: Pam Fernald, Joel Wachtel, and Rick Forschler

Staff Coordinator: Gwen Pilo, Finance Director

1. Call to Order	<i>Committee Chair Erin Sitterley called the meeting to order at 4:01 PM</i>
2. Public Comment	<i>None</i>
3. Review of the Minutes	<p><u> X </u> Recommended for Approval</p> <p><i>A copy of the 05/24/2018 minutes was provided to the committee for review. Prior to the meeting, the minutes were revised to clarify an item the committee had questions on. The committee approved the revised minutes.</i></p>
4. Council/City Manager Travel Pre-Approval or Final Approval	<i>None</i>
5. Business License Update	<p><u> X </u> Informational Update</p> <p><i>Budget Analyst Alexis Briggs provided the committee with an update on the AWC task force working to develop a model business license ordinance following 2017 legislation. At the March 22<sup>nd</sup> A&amp;F Meeting, the committee was presented with the draft model ordinance which included a uniform definition of engaging in business and a minimum licensing threshold of \$1,000 in gross receipts. This draft model was given to the National Federation of Independent Business (NFIB) and Association of Washington Business (AWB) for input. Responses from these organizations were somewhat negative, expressing their concern that</i></p>

	<p><i>the threshold was too low. After meeting with representatives of these organizations, the taskforce proposed raising the minimum threshold to \$2,000 with a clause requiring a review of the threshold in 4 years to determine if an adjustment is required. The business associations are now reviewing the new proposal and the taskforce is waiting to hear if they will support this draft. More updates will be given to the A&amp;F committee once the model ordinance is finalized.</i></p>
<p>6. YMCA Lease &amp; Services Agreement</p>	<p><u>  X  </u> Recommended for Approval</p> <p><i>Parks, Community Programs and Services Director Larry Ellis along with City Manager Joe Scorcio discussed with the committee two items in relation to the YMCA.</i></p> <ol style="list-style-type: none"> <li><i>1. Lease: YMCA’s lease agreement allows the City to raise rent more than 1%, but not more than 10%, if property values have increased, and no more than 5 times during the 50-year lease term. Historical rate information was provided detailing the YMCA’s monthly rent since 2009. While the monthly rent has increased only 9% over the last 9 years, property tax rates and the City’s assessed valuation has increased 18%. Mr. Scorcio asked the committee if they recommend a rate increase in September of this year and if so, what percentage increase is recommended. The committee reviewed the data provided and discussed in length. As the City is a landlord of this property and all other lease agreements are tied to CPI inflation, the committee recommended an increase of 10% to get it back in line with current property values. The committee wished to treat all their tenants equally and ensure they all pay fair market value. The committee’s recommended rent increase of 10% will be brought to the full council for approval.</i></li> <li><i>2. Services Agreement: The City of SeaTac entered into a services agreement with the YMCA in 2009 pre-paying for a variety of services to be provided by the YMCA each year over a 20-year period. Based on the services provided since 2009 and the current balance on this account, the YMCA has not been providing the expected level of services each year. Staff is looking for some direction on how this should be handled. The committee recommended a motion authorizing the City Manager to send a letter to the YMCA asking for immediate corrective action in the form of one of the following three options: <ol style="list-style-type: none"> <li><i>a. Immediate delivery on services promised; or</i></li> <li><i>b. Refunding the City for services not delivered to date; or</i></li> <li><i>c. A complete refund of services not delivered to date and those owed to the City in the future.</i></li> </ol> <i>The committee’s recommendation will be brought to a future City Council meeting to authorize the motion.</i></i></li> </ol>
<p>7. Employment</p>	<p><u>  X  </u> Recommended for Approval</p>

Standards Ordinance	<p><i>City Attorney Mary Mirante Bartolo provided the committee with a memorandum regarding the City's employment standards ordinance and its conflict with Initiative 1433 which took effect January 1, 2018. The memo describes in detail the conflict between City Code and State law with regard to cashing out unused sick leave. City staff asked the committee for some direction on how to handle inquiries the City is receiving on this subject. Three options were proposed for consideration:</i></p> <ol style="list-style-type: none"> <li><i>1. Amend the Employment Standards Ordinance to eliminate the conflict</i></li> <li><i>2. Seek an attorney's general opinion</i></li> <li><i>3. Take no action; wait and see how things go</i></li> </ol> <p><i>The committee recommended seeking an attorney general's opinion. Staff will come back to A&amp;F with further information when it is received.</i></p>
8. First Quarter 2018 Financial Update	<p><u>  X  </u> Informational Update</p> <p><i>Finance &amp; Systems Director Gwen Pilo presented the committee with several documents detailing actual revenues and expenditures through March 31, 2018. Overall the City is in a positive position ending the 1<sup>st</sup> quarter and there are no areas of concern at this time.</i></p>
9. Future Meeting Schedule	<p><i>The next A&amp;F Meeting will be held on June 28, at 4:00PM in Riverton Room 128.</i></p>
10. Adjourn	<p><i>Committee Chair Erin Sitterley adjourned the meeting at 5:34 PM.</i></p>



# MEMORANDUM

To: Administration and Finance Committee  
Through: Joseph Scorcio, City Manager  
From: Gwen Pilo, Finance and Systems Director  
Date: June 26, 2018  
Re: Financial Policies

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In December 2017 the Administration and Finance Committee discussed the benefits of strong financial management policies to assist in providing responsible and responsive public service and governance. The Committee provided direction to staff to begin drafting financial policies in preparation for the 2019-2020 budget discussion.

The attached financial policies are provided for review, comment and recommendation. The recommendation will be presented at the July 13, 2018 Macro Budget Workshop for consideration by the full council and then at a council meeting for adoption by resolution.

The following items are provided in the packet:

- City of SeaTac current Financial Management Policies (from Budget Document)
- City of SeaTac Draft Financial Management Policy
- Draft Cost Allocation Policy
- Draft Interfund Loan Policy

These policies are in draft form and some sections require further discussion to determine council direction. Some policy statements still require references to ordinances or SMC.

# CITY OF SEATAC 2017-2018 BIENNIAL BUDGET

## Financial Management Policies

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The City's financial management policies establish the broad framework within which the City Manager administers City departments and services for the citizens. Policy direction is provided by the City Council, generally developed by staff recommendations brought to the Council for their formal concurrence or are the result of Council-initiated inquiry or debate. Policies can also develop in a more evolutionary way, such as when historical practices set the standard of conduct.

The following policies identify the manner in which the budget develops, allocates, manages and controls financial resources available to the City. These policies are intended to express the principles under which the financial resources are administered.

### 1. Objective: Ensure sufficient resources to support municipal services and maintain fiscal stability.

**A. Policy:** *Ongoing operations of the City shall be funded by ongoing revenues.*

**Status:** Policy implemented for creation of 2017-2018 Budget, providing a municipal services program that continues year after year and operates with ongoing, general purpose revenues. Appropriations are made on a bi-annual basis after an evaluation of the ongoing service programs in competition with other City priorities.

**B. Policy:** *Revenues should be conservatively projected to help ensure budget solvency.*

**Status:** The revenue estimates contained in the adopted Budget are based on a conservative analysis of the economic prospects for the City. Historical data, where available, will be used to assist in developing projections.

**C. Policy:** *The City should reserve some resources for future, unknown needs.*

**Status:** The City retains a strategic reserve by which to prepare for unforeseen circumstances. At the June 10, 2016 Council Retreat, council provided direction to change the target from 3 months, (25%) to 4 months (33%) of the general fund's adopted expenditure appropriation authority amount. The strategic reserve set aside \$12.3 million of the \$16.2 million budgeted 2018 ending fund balance.

### 2. Objective: Allocate available resources to the various services and programs of the City to carry out City goals.

**A. Policy:** *The operating budget of the City shall be balanced utilizing current year revenues only, whenever possible. For the capital portion of the budget, the City shall maintain a minimum ending fund balance reserve for each fund.*

**Status:** The Budget is being developed with this policy in mind. In the *General Fund*, the City placed a high emphasis on not only maintaining four months of operating expenditures as its minimum reserve, but also encouraged departments to budget within current year revenue estimates.

**B. Policy:** *The Budget of the City shall be based on and implemented by departmental goals and objectives.*

**Status:** The Budget was developed based on department work programs and cooperative efforts to ensure non-duplication of budgeted expenditures due to overlapping involvement in certain objectives. Department road maps are included in the preliminary budget packets to include in budget discussions and the City Council workshops.

- C. Policy:** Tax supported activities of the City shall be funded in the General Fund or in the special revenue funds associated with tax levies for special purposes.

**Status:** This policy has been implemented since incorporation of the City in 1990 and is continued.

- D. Policy:** The City shall continue to provide supplemental funding to area human service agencies.

**Status:** The City recognizes its responsibility and the need for participation and continues to assist in funding human service programs in the community, allocating one and one-half percent (1.5%) of General Fund operating expenditures for this purpose. This was affirmed at the June 10, 2016 Council Retreat. City staff will administer a number of human service contracts, providing more than \$1,079,000 in budgeted general human services contracts.

**3. Objective: Establish accountability of financial resources during the implementation of the Budget through monitoring.**

- A. Policy:** Budget reports outlining the status of revenues and expenditures will be provided to the City Manager, Mayor, City Council and departments.

**Status:** The Finance Department has trained each department on how to print their monthly reports which detail actual results compared to budget. Each department is responsible for monitoring their expenditures to ensure that they do not exceed the appropriation for their programs. The Finance Department also reviews expenditure and revenue status reports monthly. Additionally, the Finance Director prepares a monthly financial report for department heads, and quarterly reviews for City Council.

- B. Policy:** The accounts of the City and its Operating Budget shall be maintained in accordance with the State of Washington Budgeting, Accounting and Reporting System (BARS) and shall be computerized to provide current financial data readily on request.

**Status:** The City has implemented the prescribed system and has continued this policy in the adopted Budget.

- C. Policy:** The Council shall review expenditures on each payment cycle.

**Status:** Payroll and claims expenditures are subject to City Council approval at each Regular City Council Meeting.

- D. Policy:** Department heads shall be responsible for managing their budgets within their total appropriated budget.

**Status:** Department heads are subject to administrative policies in place and have the duty to manage their department in accordance with the intent of this Budget as provided by law.

**CITY OF SEATAC 2017-2018 BIENNIAL BUDGET**  
**Financial Management Policies**

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**4. Objective: Manage the financial resources of the City.**

- A. Policy:** *The City shall carefully examine all potential grants for matching requirements.*

**Status:** If a grant match is already included in the budget, no further council action is required for application of the grant. If a grant match is not included as part of the approved budget, when time permits, the application for such a grant will be approved by City Council prior to application for the grant. Some grants may not be accepted if the matching funds cannot be justified or if programs must be continued with local resources after grant funds are exhausted.

- B. Policy:** *The City will conservatively manage debt obligations within the statutory limits for debt capacity.*

**Status:** At the end of 2015, the City of SeaTac had an outstanding general obligation and special obligation debt of \$3,366,400. The 2015 legal debt limit was \$375,956,718, leaving a legal debt margin of \$372,590,318. This means outstanding debt was only 0.9% of the City's total legal debt limit.

- C. Policy:** *The City's investment practices shall be in accordance with administrative policies developed in accordance with appropriate professional standards.*

**Status:** Administrative policies are in place to regulate investment practices. Currently, all of City's funds are in instruments adhering to sound investment practices. All of the City's excess funds are invested in the State's Local Government Investment Pool (LGIP) in certificates of deposit, commercial paper and treasury obligations.

**5. Objective: Provide high quality financial reports in a timely and understandable manner.**

- A. Policy:** *Regular financial reports will present a summary of financial activity for the City.*

**Status:** Monthly budget reports outlining the status of revenues and expenditures are printed by each department. The Finance Department also reviews the monthly revenue and expenditure status reports. Supplemental financial reports are developed and distributed as requested on an ongoing basis.

- B. Policy:** *The City shall annually prepare an Annual Financial Report in accordance with Generally Accepted Accounting Principles (GAAP).*

**Status:** Annual Financial Reports have been prepared annually since the City's incorporation. The City received an unqualified opinion for the 2011, 2012, 2013, and 2014 financial statements and is currently awaiting the 2015 financial statement audit.

- C. Policy:** *The City shall seek national GFOA (Government Finance Officer's Association) award(s) for financial reports in order to promote professional management of the City's finances.*

**Status:** The City received the GFOA award for its 2011, 2012, and 2013 Annual Financial Reports. No submission was made for 2014 or 2015 ending the 22 years of submissions. The city also received the GFOA distinguished budget presentation award for the 2013-2014 biennial budget and the 2015-2016 biennial budget and plans to submit the 2017-2018 Budget for GFOA award consideration.

City of SeaTac  
Cost Allocation Policy

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## Table of Contents

Purpose/General Statement.....	3
Authority .....	4
Governmental Accounting Standards Board (GASB) .....	4
The Federal Office of Management and Budget (OMB).....	4
Washington State Auditor.....	4
Allocation Plan .....	5
Development.....	5
Application .....	5
Reconciliation.....	5
Allocation Factors .....	6

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## Purpose/General Statement

The purpose of this cost allocation policy is to summarize, in writing, the methods and procedures the City of SeaTac will use to allocate costs to various programs, funds, projects, grants, contracts and agreements. The City of SeaTac shall comply with all laws and regulations in calculating and receiving full cost recovery for services rendered to other funds. The cost 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 special project/cost objective or fund. Indirect costs are those costs incurred for a common or joint purpose benefiting more the one cost objective in more than one fund, but which are not readily assignable to a specific fund. Examples include costs for support to other departments including legal, finance & systems, human resources, facilities, maintenance, and records management.

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## Authority

The City of SeaTac shall comply with all laws and regulations including those set forth by:

1. Governmental Accounting Standards Board (GASB)
2. The Federal Office of Management and Budget (OMB)
3. Washington State Auditor

### 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 Auditors Office's annual audit of the City.

### The Federal Office of Management and Budget (OMB)

OMB Circular A-87 establishes cost principals for State, Local, and Indian Tribal Governments for determining costs for Federal Awards. Items 5 of the Circular states, "The principals 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 specially excluded from recovery.

### Washington State Auditor

The Washington State Auditor's office prescribes the accounting and reporting of local governments in the State of Washington under RCW 43.09.210. This RCW states in part:

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.

## Allocation Plan

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

- Number of employees (FTE) in a fund
- Percentage of operating expenses in each fund or total operating revenues in each fund
- Percentage of department time directly attributable to funds/programs
- Square footage
- Actual expenses or number of transactions
- Actual expenses or hours worked
- Hours utilized

In classifying costs as allocable, the City of SeaTac shall analyze departments and individual objects to determine whether the costs should be allocated, as well as the appropriate basis for allocation.

### Development

The City of SeaTac shall utilize spreadsheets to compile information related to the distribution of cost among its various funds during the biennial budget process. The Finance & Systems director is primarily responsible for determining the final percentage or amounts charged back to the City funds/departments, based on the factors mentioned above. The final Cost Allocation Plan (CAP), detailing all allocable costs within each fund, will be approved by City Council as part of the biennial budget process.

### Application

Cost allocations will be shown as a line item in each fund's budget. Monthly journal entries will be completed by Finance for all funds involved in the City's CAP.

### Reconciliation

The Cost Allocation Plan budgeted estimates will be reconciled with actual costs at the end of each year. If the actual costs incurred falls within 5 percent of the amount estimated, no adjustment is needed. However, if the actual costs vary over 5 percent, a journal entry will be completed, refunding/charging the fund the difference. Reconciliations will not be made if it puts the fund in a negative ending fund balance for the year.

## Allocation Factors

The following list are *examples* of cost allocation factors the City may utilize. This list is not meant to be all encompassing. Documentation of each cost allocation model is included in the Cost Allocation Plan developed for a budget cycle.

Type	Cost(s) Allocated	Cost Allocation Factor(s)
Accounts Payable	Salaries & Benefits of Accounts Payable Staff	Number of Transactions (Vouchers or Invoices)
GIS Services	Salaries & Benefits of GIS Personnel	Number of Projects, Actual Expenses
Human Resources	Salaries & Benefits of HR Personnel, Other HR Expenditures	Number of Budgeted Staff (FTE)
IT Services	Salaries & Benefits of IT Personnel, IT Expenditures; Maintenance Costs	Number of Service Requests, Number of Computers, Actual Expenses
Maintenance & Janitorial Service	Salaries & Benefits of Facilities Personnel, Other Facilities Expenditures	Square footage
Payroll	Salaries & Benefits of Payroll Staff	Number of Staff (FTE)

# CITY OF SEATAC

## COST ALLOCATION PLAN

Model # 6 of 6

**Cost Allocation Model:** Payroll Service  
**Home Department Location:** Finance & Systems (04) - General Fund  
**Allocation Factor(s):** Salaries & Benefits of Payroll personnel in the Finance & Systems Department  
**Cost Service Description:** Finance is an internal service department providing processing of payroll for all employees in the City over various funds/departments. Of the Finance personnel, the Payroll Coordinator provides support to these services 100% of the time while the supervisor of the Payroll Coordinator, the Treasury Operations Manager, allocates approximately 15% of their time on payroll services

Allocable Costs	2019 Budget	2020 Budget
Payroll Coordinator S&B (100%)	\$ 93,747	\$ 93,747
Treasury Ops Mgr. S&B (15%)	\$ 23,734	\$ 23,734
Total Allocable Costs	\$ 117,481	\$ 117,481
Total City FTEs	132.65	132.65
<b>Allocation Factor</b>	<b>885.65</b>	<b>885.65</b>

### Estimated

Fund/Department	2019			2020		
	Budgeted FTEs	Allocation Factor	Estimated Cost	Budgeted FTEs	Allocation Factor	Estimated Cost
General Fund (001)	95.66	885.65	84,721	95.66	885.65	84,721
Street Fund (102)	15.29	885.65	13,542	15.29	885.65	13,542
Hotel/Motel Tax Fund (107)	1.50	885.65	1,328	1.50	885.65	1,328
Transportation CIP Fund (307)	7.70	885.65	6,819	7.70	885.65	6,819
Surface Water Management (403)	10.80	885.65	9,565	10.80	885.65	9,565
Solid Waste Environmental (404)	1.30	885.65	1,151	1.30	885.65	1,151
Equipment Rental (501)	0.40	885.65	354	0.40	885.65	354
<i>Total</i>	<i>132.65</i>		<i>\$ 117,481</i>	<i>132.65</i>		<i>\$ 117,481</i>

## 2019 YEAR END RECONCILLIATION

<b>Allocable Costs</b>	<b>2019 Actual</b>
<i>Payroll Coordinator S&amp;B (100%)</i>	
<i>Treasury Ops Mgr. S&amp;B (15%)</i>	
Total Allocable Costs	\$ -
Total City FTEs	-
<b>Allocation Factor</b>	-

<i>2019 YEAR END RECONCILLITATION</i>					
Fund/Department	Actual FTEs	Allocation Factor	Actual Cost	Difference	Journal Entry?
<b>General Fund (001)</b>		\$ -	-	(84,721)	No
<b>Street Fund (102)</b>		\$ -	-	(13,542)	No
<b>Hotel/Motel Tax Fund (107)</b>		\$ -	-	(1,328)	No
<b>Transportation CIP Fund (307)</b>		\$ -	-	(6,819)	No
<b>Surface Water Management (403)</b>		\$ -	-	(9,565)	No
<b>Solid Waste Environmental (404)</b>		\$ -	-	(1,151)	No
<b>Equipment Rental (501)</b>		\$ -	-	(354)	No
<i>Total (check)</i>	-		\$ -	\$ (117,481)	

## 2020 YEAR END RECONCILIATION

<b>Allocable Costs</b>	<b>2020 Actual</b>
<i>Payroll Coordinator S&amp;B (100%)</i>	
<i>Treasury Ops Mgr. S&amp;B (15%)</i>	
Total Allocable Costs	\$ -
Total City FTEs	-
<b>Allocation Factor</b>	-

<i>2020 YEAR END RECONCILLITATION</i>					
Fund/Department	Actual FTEs	Allocation Factor	Actual Cost	Difference	Journal Entry?
<b>General Fund (001)</b>		\$ -	-	(84,721)	No
<b>Street Fund (102)</b>		\$ -	-	(13,542)	No
<b>Hotel/Motel Tax Fund (107)</b>		\$ -	-	(1,328)	No
<b>Transportation CIP Fund (307)</b>		\$ -	-	(6,819)	No
<b>Surface Water Management (403)</b>		\$ -	-	(9,565)	No
<b>Solid Waste Environmental (404)</b>		\$ -	-	(1,151)	No
<b>Equipment Rental (501)</b>		\$ -	-	(354)	No
<i>Total (check)</i>	-		\$ -	\$ (117,481)	



# CITY OF SEATAC

## COST ALLOCATION PLAN

Model # 3 of 6

**Cost Allocation Model:** Human Resources  
**Home Department Location:** Human Resources (07) - General Fund  
**Allocation Factor(s):** Salaries & Benefits of HR personnel and all other HR expenditures (less insurance)  
**Cost Service Description:** The Human Resources Department provides hiring and recruitment services for all departments/funds. Also housed in the HR budget is employee benefit programs which support employees over all departments and funds. Insurance costs are not included as allocable costs as these costs are already allocated between funds in the budget.

Allocable Costs	2019 Budget	2020 Budget
HR Personnel S&B (100%)	\$ 446,618	\$ 446,618
All Other HR Expenditures	\$ 713,807	\$ 713,807
Less Insurance	\$ 498,359	\$ 498,359
Total Allocable Costs	\$ 662,066	\$ 662,066
Total City FTEs	132.65	132.65
<b>Allocation Factor</b>	<b>4,991.07</b>	<b>4,991.07</b>

*Estimated*

Fund/Department	2019			2020		
	Budgeted FTEs	Allocation Factor	Estimated Cost	Budgeted FTEs	Allocation Factor	Estimated Cost
General Fund (001)	95.66	4,991.07	477,446	95.66	4,991.07	477,446
Street Fund (102)	15.29	4,991.07	76,314	15.29	4,991.07	76,314
Hotel/Motel Tax Fund (107)	1.50	4,991.07	7,487	1.50	4,991.07	7,487
Transportation CIP Fund (307)	7.70	4,991.07	38,431	7.70	4,991.07	38,431
Surface Water Management (403)	10.80	4,991.07	53,904	10.80	4,991.07	53,904
Solid Waste Environmental (404)	1.30	4,991.07	6,488	1.30	4,991.07	6,488
Equipment Rental (501)	0.40	4,991.07	1,996	0.40	4,991.07	1,996
<i>Total</i>	<i>132.65</i>		<i>\$ 662,066</i>	<i>132.65</i>		<i>\$ 662,066</i>

## 2019 YEAR END RECONCILLIATION

<b>Allocable Costs</b>	<b>2019 Actual</b>
<i>HR Personnel S&amp;B (100%)</i>	
<i>All Other HR Expenditures</i>	
<i>Less Insurance</i>	
Total Allocable Costs	\$ -
Total City FTEs	-
<b>Allocation Factor</b>	-

<i>2019 YEAR END RECONCILLITATION</i>					
Fund/Department	Actual FTEs	Allocation Factor	Actual Cost	Difference	Journal Entry?
<b>General Fund (001)</b>		\$ -	-	(477,446)	No
<b>Street Fund (102)</b>		\$ -	-	(76,314)	No
<b>Hotel/Motel Tax Fund (107)</b>		\$ -	-	(7,487)	No
<b>Transportation CIP Fund (307)</b>		\$ -	-	(38,431)	No
<b>Surface Water Management (403)</b>		\$ -	-	(53,904)	No
<b>Solid Waste Environmental (404)</b>		\$ -	-	(6,488)	No
<b>Equipment Rental (501)</b>		\$ -	-	(1,996)	No
<i>Total (check)</i>	-		\$ -	\$ (662,066)	

## 2020 YEAR END RECONCILLIATION

<b>Allocable Costs</b>	<b>2020 Actual</b>
<i>HR Personnel S&amp;B (100%)</i>	
<i>All Other HR Expenditures</i>	
<i>Less Insurance</i>	
Total Allocable Costs	\$ -
Total City FTEs	-
<b>Allocation Factor</b>	-

<i>2020 YEAR END RECONCILLITATION</i>					
Fund/Department	Actual FTEs	Allocation Factor	Actual Cost	Difference	Journal Entry?
<b>General Fund (001)</b>		\$ -	-	(477,446)	No
<b>Street Fund (102)</b>		\$ -	-	(76,314)	No
<b>Hotel/Motel Tax Fund (107)</b>		\$ -	-	(7,487)	No
<b>Transportation CIP Fund (307)</b>		\$ -	-	(38,431)	No
<b>Surface Water Management (403)</b>		\$ -	-	(53,904)	No
<b>Solid Waste Environmental (404)</b>		\$ -	-	(6,488)	No
<b>Equipment Rental (501)</b>		\$ -	-	(1,996)	No
<i>Total (check)</i>	-		\$ -	\$ (662,066)	

City of SeaTac

# Financial Policies

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# Table of Contents

BASIC POLICY STATEMENT .....	3
APPLICATION AND ADMINISTRATION .....	4
LINES OF AUTHORITY .....	5
Departments .....	5
City Manager .....	5
City Council .....	5
GENERAL BUDGET POLICIES.....	6
Budget Preparation .....	6
Budget Amendments .....	7
RESERVE POLICIES .....	9
General Fund.....	9
Enterprise Funds .....	9
Capital Funds.....	10
Replacement Funds.....	10
REVENUE POLICIES .....	11
General Policy .....	11
Budgeting .....	11
Monitoring/Reporting.....	12
EXPENDITURE POLICIES.....	13
General Policy .....	13
Budgeting .....	13
PURCHASING AND EXPENDITURE CONTROL .....	15
ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES .....	16
DEBT .....	17
INVESTMENTS .....	17
OTHER POLICES .....	17

## BASIC POLICY STATEMENT

The City of SeaTac is committed to the highest standards of responsible financial management. The City, including the City Council, City Manager, and staff will work together to ensure all financial matters of the City are addressed with care, integrity, and in the best interest of the City.

The safekeeping, proper use and management of City resources are essential to responsible and responsive public service and governance. Standards and best practices for the management of City resources are set forth by entities that include the Internal Revenue Service (IRS), State Legislature, State Auditor's Office (SAO), Department of Revenue (DOR), Government Financial Officers' Association (GFOA), Government Accounting Standards Board (GASB), and the SeaTac Municipal Code (SMC). SeaTac's Financial Policies (Policies) support and augment those provisions.

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## APPLICATION AND ADMINISTRATION

The rules and procedures contained in this policy are designed to:

1. Protect the assets of the City of SeaTac;
2. Ensure the maintenance of open and accurate records of the City's financial activities;
3. Provide a framework of operating standards and behavioral expectations;
4. Ensure compliance with federal, state, and local legal and reporting requirements; and
5. Provide a means for the City Council to update and monitor these policies with the assistance and cooperation of the City Manager and the Finance and Systems Director.

The use of "shall" indicates the City's intent to closely adhere to the stated policy. The use of "should" or "may" indicates a preferred approach. These policies serve to guide the City Council while enabling flexibility for the Council to respond to specific circumstances.

## LINES OF AUTHORITY

### Departments

1. Department directors have primary responsibility for formulating budget proposals in line with City Council and City Manager priority direction, and for implementing, monitoring, and reporting once approved.

### **Finance Department**

- a. The Finance Department (Finance) is responsible for coordinating the overall preparation and administration of the City's budget and Capital Improvement Program. Finance assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.
- b. The Finance Director will exercise a secondary oversight responsibility for ALL budget expenditures. This includes responsibility for both technical errors and errors of judgment, which shall be brought immediately to the attention of the responsible department head and the City Manager.

### City Manager

1. The City Manager may authorize transfers between individual appropriations within any one department or fund (SMC 3.40.110).

### City Council

1. The City Council shall adopt the budget by ordinance at the fund level. The SeaTac City Council has the authority to execute such policies as it deems to be in the best interest of the City within the parameters of federal, state, and local law.
2. Transfers of appropriations between departments or funds shall be approved by a budget amendment of the City Council (SMC 3.40.110).

### **Council Committees**

- a. The Administration & Finance Committee has the authority to perform reviews of the organization's financial activity, oversee and supervise the investment of excess funds, and assure adequate internal controls are in place.



## GENERAL BUDGET POLICIES

### Budget Preparation

1. The City of SeaTac shall prepare and adopt a biennial budget in accordance with Chapter 35A.34 RCW, **SMC XX**, and these Policies. Fiscal years shall begin on January 1st and conclude on December 31st. The budget will be prepared on a cash basis. This differs from the financial statements, which are reported on a GAAP basis.
2. The budget shall be prepared in a manner that reflects the full cost of providing services to the extent possible, which includes operating and maintenance costs for capital projects.
3. Ongoing resources shall be equal to or exceed ongoing expenditures. Each City fund budget shall identify ongoing resources that at least match expected ongoing annual requirements.
4. The budget shall account for onetime expenditures associated with an employee's end of employment. The Finance Director shall establish administrative procedures specifying the conditions under which such funds may be expended.
5. The City recognizes the need for participation in, and shall provide funding to area Human Service programs allocating 1.5% of General Fund operating expenditures for this purpose.
6. One-time cash transfers and non-recurring ending fund balances will be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.
7. On an annual basis, departments will review existing services for relevancy and sustainability before proposing new ongoing services.

### **Downturns**

- a. Short-term (anticipated less than one year) economic downturns and temporary gaps in cash flow: Expenditure reductions or restrictions may be imposed. Expenditures from the General Fund Unassigned Fund Balance, or interfund loans may be used with City Council approval. The City Council may authorize interfund loans to cover short-term gaps in cash flow in accordance with the Interfund Loan policy.

- b. Long-term (greater than one year) revenue downturns: Revenue forecasts shall be revised. When long-term revenue downturns are likely, deficit financing (borrowing) is not an appropriate fiscal response. Onetime and/or ongoing expenses shall be reduced, new revenues shall be secured, or a combination thereof-as necessary to achieve a balanced budget.

## Budget Amendments

1. Provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes will be provided by Finance. Any budget adjustments requiring City Council approval will occur through a process coordinated by Finance and will occur prior to fiscal year end.
2. Finance will review agenda items with potential fiscal impact submitted for City Council action. The objective of these reviews is to ensure compliance with the budget and disclosure of all fiscal issues to the Council. This information will be presented in the Budget Significance section of each agenda bill.
3. During the Mid-Biennium Review process, departments who have underspent their budgets may request those funds (or a portion thereof) be carried over into the next budget cycle. The department must provide the reason for underspending and estimate the likely continuation of such variances.
4. Requests for funds to be carried over at the end of a biennium budget cycle shall only be for projects not completed in the previous budget cycle. The department must provide the reason the project was not completed and an estimated completion date.

## **Decision Cards**

- a. Decision Cards shall be required for new program requests in the Preliminary Budget and the mid-biennial modification and shall include a written assessment of:
  - i. How the proposal is consistent with identified City Values.
  - ii. Whether the service or program is mandatory (required by law) or discretionary (optional), and whether the service or program can be achieved through other means.

iii. The degree to which the service or program is fiscally sustainable.

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## RESERVE POLICIES

### General Fund

1. Adequate reserve levels are a necessary component of the City's overall financial management strategy and key factor in external agencies' measurement of the City's financial strength. Collectively, the adopted budget should include General Fund reserve balances equaling not less than *4 months* of the operating expenditures for the fiscal year. The reserves specified by this policy consist of the General Fund Unassigned Fund Balance.
2. The reserve will be available for unforeseen, urgent, or emergency needs. The reserve is intended to provide for unanticipated revenue shortfalls; for expenditures deemed necessary by the City Manager and City Council; and temporary short-term interfund loans of a non-recurring nature.
3. Achieving and maintaining this unassigned fund balance is the highest priority over developing and maintaining other general fund reserves.
4. City Council authorization shall be required for expenditure of General Fund Reserves.

### Enterprise Funds

1. Adequate reserve levels are a necessary component of the overall financial management strategy for enterprise funds such as utilities, and a key factor in external agencies' measurement of the City's financial strength.
2. The City shall maintain reserves in the Enterprise Funds as follows:
3. The reserve balance target for the Surface Water Management Utility operations is the amount equivalent to 12% of total budgeted operating expenses or 30 to 45 days.
4. The reserve balance target for the Solid Waste & Environmental Utility operations is the amount equivalent to 8% of total budgeted operating expenses or 30 days.
5. The reserve balance target for the Surface Water Management Utility capital is the amount equivalent to 10% of all Original Asset Values.
6. City Council authorization shall be required for expenditure of Enterprise Fund Reserves.

## Capital Funds

1. The City shall maintain capital reserve funds to provide funding for the six years Capital Improvement Plan, less proprietary fund projects. The use of any reserves within the Capital Improvement Funds shall be approved by the City Council.
2. Contributions to the capital reserve funds will be made as per the budget recommendations set by the City Council.

## Replacement Funds

1. The City shall maintain an Equipment Replacement Fund. Annual contributions in the amount necessary to replace the equipment at the end of its useful life shall be included in the operating expenses of departments owning the capital equipment. Life-cycle assumptions and required contributions shall be reviewed as part of the budget process.
2. Replacement reserves shall be established for equipment and computer software (add threshold amount?), regardless of whether the equipment is acquired via lease, gift or purchase.
3. Monies collected from the sale of assets carried on equipment replacement schedules shall be receipted to the Equipment Replacement Fund.

## REVENUE POLICIES

### General Policy

1. The City shall maintain revenue categories according to state statute and administrative regulation as described in the State Auditor's Budgetary, Accounting, and Reporting System (BARS).
2. The City shall be sensitive to the balance between the need for services and the City's willingness to raise fees, charges, and taxes to support those services.
3. The City should strive to maintain a diversified mix of revenues in order to maintain needed services during periods of declining economic activity.
4. 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. For more information on grants, refer to Policy CW-016 Grant Application and Acceptance.

### Budgeting

1. Revenue estimates should be prepared on an objective basis to minimize the economic fluctuations that could imperil ongoing service programs during the upcoming budget cycle. Revenue increases greater than inflation will require additional documentation.
2. Revenue estimates shall be based on forecasting methods recommended by the Government Finance Officers Association (GFOA) and will likely be conservative rather than aggressive.
3. Revenue forecasts for major revenues (those which represent at least 10% of the General Fund) will develop a "conservative", "optimistic" and "best estimate" forecast and the rationale. The forecasts presented shall be based on the best information available at the time and references to the sources of information used in the estimates will be made available.

### **Taxes**

- a. Property tax revenues shall not be increased if General Fund reserves are in excess of the target General Fund reserve policy.

- b. All regular property tax revenues will be allocated to support General Fund services unless there is a ballot measure approved by the voters that directs a certain amount of the property tax capacity be used for other City services.
- c. Sales tax revenues are designed to support general government operations and will be allocated to the General Fund.

## **Fees**

- a. The City shall develop and maintain a comprehensive schedule of fees and charges. City fees and charges should be reviewed in connection with each biennial budget by general type as described below:
  - i. Development-related fees (land use, building and property, and engineering fees) shall be established by ordinance; adjusted for inflation and periodically subjected to a comprehensive rate analysis. Development related fees should be based on recovering costs of permitting and inspection services.
  - ii. Recreation and park use fees shall be set by the Director of Parks, Community Programs & Services within ranges established by ordinance.
  - iii. General fees (such as rental rates, copy charges, and other miscellaneous fees) shall be established by ordinance. These services should charge fees to assist in making these services self-supporting.
  - iv. Utility fees shall be set by ordinance, and set at a level necessary to support the costs of services in the fund and to maintain long-term financial stability. To insure that the enterprise funds remain self-supporting, fee and rate structures shall fully fund the direct and indirect costs of operations, maintenance, debt service, depreciation, and reasonable system extensions.

## **Monitoring/Reporting**

- 1. 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.
- 2. Periodic financial reports shall include trend analysis of the City's primary sources of revenue.

## EXPENDITURE POLICIES

### General Policy

1. The City shall maintain expenditure categories according to state statute and administrative regulation as described in the State Auditor's Budgetary, Accounting, and Reporting System (BARS).
2. Emphasis shall be placed on improving productivity, workplace innovation, program evaluation, and alternative means of service delivery rather than adding to the work force. The City shall invest in technology and other efficiency tools to ensure high productivity. The City may hire additional staff only after the need of such positions has been demonstrated and documented, including assessment of alternative measures, such as contracting for professional services and partnering with other agencies/organizations.

### Budgeting

#### ***Operating/On-Going***

- a. The City shall authorize only those ongoing, operating expenditures that may be supported by ongoing operating revenues. Before the City undertakes any agreements that would create fixed, ongoing expenses, the cost implications of such agreements shall be fully determined for current and future years with the aid of strategic financial planning models.
- b. 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 of non-salary nature which are a cost to the City.
- c. Budget surpluses resulting from vacant positions are not to be used as justification to increase expenses for operational or capital expenditures purposes.
- d. Enterprise Fund expenditures shall be fully supported by their own rates, fees, and charges, not subsidized by the General Fund. The Enterprise Funds shall pay their share of overhead costs and services provided by the General Fund.



- e. The City shall assess funds for services provided internally by other funds. The estimated cost of service shall be budgeted as an expense to the fund benefiting from the service and the cost of the service shall be recognized as revenue to the providing fund. A review of the method for determining the amount of the interfund assessment shall be reviewed periodically. For more information, refer to the City's Cost Allocation Policy.

***One-Time/Capital***

- a. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures shall be reviewed for compliance with this policy provision.

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## PURCHASING AND EXPENDITURE CONTROL

1. It is the general policy of the City that all expenditures be rationally related to a public purpose and be reasonable in the amount and nature. All significant purchases should be made only after an effort to compare prices and alternatives from more than one vendor.
2. Non-employees such as volunteers are required to get prior authorization from staff before making purchases.
3. All purchase orders and/or invoices will be signed by the responsible department head or his/her designee (or City Manager), and reviewed by the appropriate personnel in Finance for budget authority and proper coding.
4. Invoices for the costs of public utilities, telephone, postage, copy machine expenses, and others shared by more than one department will be reviewed and approved by the Finance Director or his/her designee.
5. The Finance Director is authorized to sign budgeted and approved contract interval payments even though they may exceed his/her signing authority. E.g. Police Services.
6. Purchases for the current fiscal year must be received prior to the end of the calendar year in order to be included in the current biennium budget. Otherwise they will be charged to the next fiscal year.
7. All expenditures/expenses shall be pre-audited and certified by the Finance Director or designee prior to submitting them to the City Council.
8. The accounts payable process occurs on the 5<sup>th</sup> and 20<sup>th</sup> of each month. City Council approval will occur at the following Council meeting.
9. If the City Council at the subsequent Council meeting (after review), disapproves any such checks, the disapproved claims will be recognized as a receivable of the City and collections of said receivable will be diligently pursued until the amounts disapproved are collected or until the Council is satisfied and approves the claims.

## ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

1. The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's partners and investors that the City is well managed and fiscally sound.
2. The City will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state's budget laws and regulations. The City will report its financial condition and results of operations in accordance with state regulations and generally accepted accounting principles (GAAP) applicable to governments.
3. The City will minimize the number of funds. The funds will be categorized in accordance with GAAP for reporting purposes.
4. Quarterly financial reports are prepared by the Finance Department and reported to the Administration & Finance Committee to monitor forecasted, budgeted, and actual revenues and expenditures. In instances when combined, actual revenues are less than combined, budgeted revenues for a period of two consecutive quarters, the City Manager shall put forth to the Administration & Finance Committee a proposed budget amendment that responds to the underperformance of revenues. The City Manager's proposed budget amendment shall include an updated financial forecast and a written description of the anticipated changes to performance measures, program outcomes, and levels of service. This policy shall not preclude the City Manager from initiating corrective action pursuant to his/her administrative authorities prior to action by the City Council. The recommendation of the Administration & Finance Committee shall be forwarded to the City Council.
5. The State Auditor will annually perform a financial and compliance audit of the City's financial statements.

## DEBT

1. The city will conservatively manage debt obligations within the statutory limits for debt capacity.

## INVESTMENTS

1. The City's Investment practices shall be in accordance with SMC 3.40 and the Investment Policy.

## OTHER POLICES

Other polices referenced in this document but listed under separate cover include:

1. Grant Application & Acceptance (CW-016)
2. Cost Allocation
3. Interfund Loans
4. Purchasing Policies and Procedures (SMC 3.31)
5. Travel Expense Policy
6. Use of City Credit Cards
7. Cash Receipting and Cash Handling Procedures
8. Continuing Property
9. Investment Policy (SMC 3.40.220)

City of SeaTac

# Interfund Loan Policy

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## BASIC POLICY STATEMENT

The City of SeaTac City Council wishes to provide an orderly process for Interfund loans when needed, without regard to the City Council meeting schedule, in order to minimize interest expense and carefully tailor such loans and repayment to the revenue needs and expense obligations of the City.

## AUTHORIZATION

1. The City Council deems it appropriate to authorize the Finance Director to administer an Interfund loan program, subject to regular reporting to the Administration & Finance Committee on an “as needed” basis to keep the different funds of the city solvent.
2. The Finance Director is authorized to administer an Interfund loan program. The Finance Director shall make Interfund loans as needed to keep the funds of the City solvent.

## APPLICATION AND ADMINISTRATION

1. The Finance Director shall prepare a planned schedule of payment of the loan principal plus applicable interest. The monthly rate of interest will be the same monthly rate of interest paid by the Washington State Local Government Investment Pool and shall be charged by the lending fund, unless the borrowing fund has no other source of revenue other than the lending fund, or is normally funded by the lending fund. In addition, the borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments.
2. The Finance Director shall include a report within thirty day of any such loans and subsequent reports to the Administration & Finance committee. Any City Council member may request the Finance Director to make such additional reports as may be necessary to fully inform the Committee of any revenue deficit or Interfund loan or similar transfer.
3. The Finance Director is directed and authorized to repay such loans in whole or in part when budgeted revenues are received sufficient to cover the projected foreseeable needs of the City for the ensuing month of the budget year.