



Administration and Finance Committee Meeting Minutes

September 13, 2018
4:00 PM
SeaTac City Hall - Riverton Room 128

Members:	Present:	Absent:	Commence:	4:00 P.M.
			Adjourn:	5:54 P.M.
Erin Sitterley, Chair	X			
Peter Kwon	X			
Clyde Hill	X			

Other Council Members Present: Joel Wachtel, Pam Fernald

Staff Coordinator: Gwen Pilo, Finance Director

1. Call to Order	<i>Committee Chair Erin Sitterley called the meeting to order at 4:00 PM</i>
2. Public Comment	<i>Vicki Lockwood spoke to the committee and urged them to allow City Manager Joe Scorcio to retire.</i>
3. Review of the Minutes	<u> X </u> Recommended for Approval <i>A copy of the 07/26/2018 minutes was provided to the committee for review. The committee approved the minutes as written.</i>
4. Council/City Manager Travel Pre-Approval or Final Approval	<u> X </u> Recommended for Approval <i>Executive Assistant, Lesa Ellis, provided the following three items for committee approval:</i> <ol style="list-style-type: none"> <i>1. Pre-approval for Joseph Scorcio APA Planning Conference Lodging: \$164.55 Transportation – airfare: \$254.40 Registration: \$200.00 Amount Total: \$618.95</i> <p style="text-align: center;"><i>The committee voted to approve.</i></p> <ol style="list-style-type: none"> <i>2. Pre-approval for Clyde Hill NLC Summit</i>

	<p><i>Lodging: \$1606 Meals: \$300 Transportation: \$750 Registration: \$545 Amount Total: \$3201</i></p> <p><i>Council members Sitterley and Kwon voted to approve. Council member Hill abstained from voting.</i></p> <p><i>3. Pre-approval for Peter Kwon NLC Summit Lodging: \$1606 Meals: \$300 Transportation: \$750 Registration: \$545 Amount Total: \$3201</i></p> <p><i>Council members Sitterley and Hill voted to approve. Council member Kwon abstained from voting.</i></p>
<p>5. Vacant Positions Update</p>	<p><u> X </u> Informational Update</p> <p><i>City Manager Joe Scorcio provided an update on vacant positions within the City.</i></p>
<p>6. Councilmember Vacancy</p>	<p><u> X </u> Recommended for Approval</p> <p><i>City Clerk Kristina Gregg addressed the committee to discuss the process of filling the council position vacancy following the resignation of Mayor Michael Siefkes. The City has 90 days to fill the vacancy or King County will fill the position. Mrs. Gregg provided the committee with an outline of a process that was used previously by the City and asked for authorization to begin the recruitment process. The committee gave their approval and the notice seeking applicants will be released 9-14-18.</i></p>
<p>7. Employment Transition Agreement with Joseph Scorcio</p>	<p><u> X </u> Recommended for Approval</p> <p><i>City Manager Joe Scorcio presented the committee with a proposed Employment Transition Agreement between himself and the City. This item was presented at the September 11th Council Meeting and was referred to A&F for further discussion. The committee discussed the agreement at length with Mr. Scorcio and City Attorney Mary Mirante Bartolo. The committee was in favor of the agreement and this item was recommended for approval.</i></p>

<p>8. Realignment of CED Department</p>	<p><u> X </u> Recommended for Approval</p> <p><i>Community and Economic Development Director Steve Pilcher presented the committee with a proposed realignment of the Code Compliance Division within CED. The proposal would allow Code Compliance to report to the Building Services Manager instead of the Planning Manager until the possible creation of a Code Compliance Supervisor. The committee was in favor of the realignment and approved the proposal. The new position of a Code Compliance Supervisor will be presented to the Council during the 2019-2020 budget process as a decision card and will be decided on at that time.</i></p>
<p>9. Reclassification of Parks Operations</p>	<p><u> X </u> Recommended for Approval</p> <p><i>Parks, Community Programs, and Services Director Larry Ellis presented the committee with a proposed reclassification of the Parks Operations Manager to a Parks Projects & Operations Manager. The committee approved the reclassification of the Parks Operations Manager. Following the reclassification will be a proposal for a new Parks Operations Supervisor position. This will be presented to Council as part of the 2019-2020 budget process as a decision card.</i></p>
<p>10. Human Services Funding Policy</p>	<p><u> X </u> Informational Update</p> <p><i>Parks, Community Programs and Services Director Larry Ellis discussed with the committee the breakdown of Human Services funding in 2018 and proposed funding for 2019. Currently the total HS allocation of 1.5% of the General Fund Budget funds human service programs in the community but does not include expenses for the entire Human Services division. The Committee is recommending that the Human Services allocation account for all division expenses including salaries, benefits, supplies and services by 2021.</i></p>
<p>11. Gambling Tax</p>	<p><u> X </u> Recommended for Approval</p> <p><i>Budget Analyst Alexis Briggs presented the committee with an ordinance revising Chapter 3.25 of the SeaTac Municipal Code relating to Gambling Tax. The current code lacks general provisions and definitions related to administration, collection violations and penalties, and was revised to provide a more complete and clear ordinance. Among the list of changes, the committee was presented with the option to set the gambling tax rate for two gambling taxes:</i></p> <ol style="list-style-type: none"> <i>1. Punchboards/Pull Tabs: Current SMC does not distinguish between punch boards and pull tabs for bona-fide charitable or non-profit organizations and commercial stimulant operators. Therefore, a recommendation was needed from the committee</i>

	<p><i>for the gambling tax rate for punchboards/pull tabs for charitable organizations. The committee recommended the maximum per state statute of 10% of receipts, less the amount awarded as cash or merchandise (net receipts). The tax rate for commercial punchboards/ pull tabs is currently set at 5% of gross receipts. The committee recommended no change for this tax rate.</i></p> <p>2. Social Card Games: <i>The current rate is set at 10% of gross receipts. Per state statute, the City can impose a rate of up to 20%. The committee recommended a rate of 20% of the gross receipts.</i></p> <p><i>This item will be brought to the full council for approval on September 25, 2018.</i></p>
<p>12. Business License Ordinance</p>	<p><u> X </u> Recommended for Approval</p> <p><i>Finance & Systems Director Gwen Pilo presented the committee with an ordinance revising Chapter 5.05 of the SeaTac Municipal Code relating to Business License and Regulations. The ordinance incorporates the required model ordinance language drafted by the Association of Washington Cities (AWC) and other revisions to the business licensing chapter. The model ordinance must be adopted by January 1, 2019. The committee recommended this item for approval, it will be brought to the full council on September 25, 2018.</i></p>
<p>13. Future Meeting Schedule</p>	<p><i>The next A&F Meeting will be held on September 27, at 4:00PM in Riverton Room 128.</i></p>
<p>14. Adjourn</p>	<p><i>Committee Chair Erin Sitterley adjourned the meeting at 5:54 PM.</i></p>

Pre-approval or final approval of City Council and City Manager travel related expenses

September 27, 2018

NLC Summit

Nov 7 -10, 2018, Los Angeles

Four councilmembers included in 2018 budget @ \$2,719 each.

The hotel prices in Los Angeles are higher than I had estimated in preparing the biennial budget for 2017-2018 for this particular conference. The city's travel policy allows for accommodations at one of the conference hotel blocks. The cost is \$279 plus 9.50% room tax plus \$15.70 occupancy tax per night with an estimate for five nights of \$1,606 provided by the conference hotel. The 2018 Council budget can accommodate the cost. Accordingly, I am adjusting the lodging estimate. Lesa

Clyde Hill	A&F Approval Date: 7.26.18 Estimated Costs Lodging adjusted 9.13.18	A&F Approval Date: 7.26.18	A&F Approval Date: 9.27.18	A&F Approval Date:
Lodging	4125 1606			
Meals	300			
Transportation	750		194.39	
Registration (early bird by 7.15.18 and first time discount)	545	460		
Total	\$3201	460	194.39	

Peter Kwon	A&F Approval Date: 4.12.18 Estimated Costs Lodging adjusted 9.13.18	A&F Approval Date: 4.26.18	A&F Approval Date: 9.27.18	A&F Approval Date:
Lodging	4125 1606			

Meals	300			
Transportation - airfare	750		224.40	
Registration (early bird)	545	450		
Total	\$3201	450	224.40	

Erin Sitterley, A&F Chair

City of SeaTac

Financial Policies

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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.

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 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" or "must" 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

City Council

1. The SeaTac City Council shall adopt the budget by ordinance at the fund level.
2. The 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.
3. 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 (A&F) has the authority to perform reviews of the organization's financial activity.
- b. The Chair of the A&F Committee, Finance Director, and City Manager, shall act as the Investment Committee to oversee, and supervise the investment of excess funds (SMC 3.40.160).

City Manager

1. The City Manager has primary oversight responsibility for ALL budget expenditures.
2. The City Manager may authorize transfers between individual appropriations within any one department or fund (SMC 3.40.110).
3. The City Manager shall serve on the Investment Committee (SMC 3.40.0160).

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.
- c. The Finance Director shall serve on the Investment Committee (SMC 3.40.0160).

GENERAL BUDGET POLICIES

Budget Preparation

1. The City of SeaTac shall prepare and adopt a biennial budget in accordance with Chapter 35A.34 RCW, Ordinance 12-1010, and these Policies. Fiscal years shall begin on January 1 and conclude on December 31. 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.
8. The City will continuously evaluate and improve process for greater efficiency with a goal of spending 5% less than budgeted each biennium.

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 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 a preferred fiscal response. Onetime and/or ongoing expenses shall be reduced, new revenues shall be secured, reserve funds may be used 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 or contracts 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.

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 Ending Fund Balance.
2. The reserve will be available for unforeseen, urgent, or emergency needs. The reserve is intended to provide for 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. 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:
 - a. The reserve balance target for the Surface Water Management Utility operations is the amount equivalent to 45 days of total budgeted operating expenses.
 - b. The reserve balance target for the Surface Water Management Utility capital is the amount equivalent to 10% of all Original Asset Values.
 - c. The reserve balance target for the Solid Waste & Environmental Utility operations is the amount equivalent to 30 days of total budgeted operating expenses.
3. 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 three years of the six years Capital Improvement Plan, less proprietary fund projects.
2. The use of any reserves within the Capital Improvement Funds shall be approved by the City Council.
3. Monies collected from the sale of assets shall be receipted into the fund where the purchase originated.
4. 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 hardware/software with a value greater than \$5,000, regardless of whether the equipment is acquired via lease, gift or purchase.
3. Equipment and computer hardware/software with a value less than \$5,000, enrollment in the Equipment Replacement Fund is optional and will be at the request of the purchasing Director.
4. Monies collected from the sale of assets carried on equipment replacement schedules shall be receipted to the Equipment Replacement Fund.

Special Revenue Funds

1. Special Revenue Funds are legally restricted for specific purposes. Balances may occur in these Funds but shall not be used for any purpose inconsistent with the Funds purpose until the original purpose for the Fund is achieved.

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

1. The City Council shall not increase the regular property tax levy if General Fund reserves are in excess of the target General Fund reserve policy.

2. 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.
3. Sales tax revenues are designed to support general government operations and will be allocated to the General Fund. Certain sales tax revenue sources may be identified and allocated to other Funds as directed by the City Council.

Fees

1. 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:
 - a. 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.
 - b. Recreation and park use fees shall be set by the Director of Parks, Community Programs & Services within ranges established by ordinance.
 - c. 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.
 - d. 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

1. 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.
2. 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.
3. Budget surpluses resulting from vacant positions should not be used as justification to increase expenses for operational or capital expenditures purposes.
4. 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.

5. 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

1. 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.

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 5th and 20th 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 shall be prepared by the Finance Department and reported to the Administration & Finance Committee for the purpose of monitoring forecasted, budgeted, and actual revenues and expenditures.
5. 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.
6. 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 (CW-007)
7. Cash Receipting and Cash Handling Procedures
8. Continuing Property (CW-012)
9. Investment Policy (SMC 3.40.220)

City of SeaTac

Cost Allocation Policy

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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 than 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.

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

Interfund Loan Policy

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.
2. 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 provide a report to the Administration & Finance committee within thirty days of any such loans.
3. Any City Council member may request the Finance Director to make additional reports as necessary to fully inform the Committee of any revenue deficit or Interfund loan.
4. 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 following month of the budget year.