



Administration and Finance Committee Meeting Minutes

February 28, 2019
4:00 PM
SeaTac City Hall - Riverton Room 128

Members:	Present:	Absent:	Commence:	4:01 P.M.
			Adjourn:	5:17 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 & Systems 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	<u> X </u> Recommended for Approval <i>A copy of the 2/14/19 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	<i>None</i>
5. Lease Agreement with ReWa	<u> X </u> Recommended for Approval <i>Facilities Manager Brian Ruda along with Andover Company representatives Mike Hemphill and Mike Ewing addressed the committee to discuss some questions raised at the last A&F Meeting regarding the lease proposal between the City and Refugee Women's Alliance (ReWa). ReWa has verbally agreed to a 3% increase in rent each year, per the committee's request. Staff also provided more information on market rates for SeaTac. The committee discussed the proposed rental rate and possible impacts to City Hall with additional foot traffic. The committee agreed to move forward with the lease and recommended this item for approval. It will be brought to the March 12th Regular Council Meeting.</i>

<p>6. Council Administrative Policy</p>	<p><u> X </u> Recommended for Approval</p> <p><i>City Clerk Kristina Gregg presented the committee with a draft City Council Administrative Procedures, incorporating all the changes previously discussed by the A&F committee. One change proposed in the draft that differs from the committee’s initial recommendation at the last meeting is incorporating the Code Compliance Committee under Public Safety and Justice Committee for a trial period instead of creating a separate committee. The committee reviewed all the proposed changes and recommended this item for approval. It will be presented at the March 12th Regular Council Meeting.</i></p>
<p>7. Contracts 101</p>	<p><u> X </u> Presentation at future A&F Meeting</p> <p><i>Finance & Systems Director Gwen Pilo addressed the committee and requested confirmation on the type of information the committee is requesting on City contracts. The committee discussed and provided examples of items they wished to learn more about when it comes to contracts and the City’s process. Contracts 101 will be presented at a future A&F Meeting.</i></p>
<p>8. Future Meeting Schedule</p>	<p><i>The next A&F Meeting is scheduled for March 14 at 4:00 PM in Riverton Room 128.</i></p>
<p>9. Adjourn</p>	<p><i>Committee Chair Erin Sitterley adjourned the meeting at 5:17 PM.</i></p>



Current Vacancies

Updated March 8, 2019

Vacancy	AFSCME	Position Funding	Dept	Notes/Status
Administrative Assistant 2	Y	Sound Transit Funded	PW	Hiring Manager Reviewing Applications
Asset Management Coordinator	Y	100% 403 Fund	PW	Pending
Associate Planner	Y	100% General Fund	CED	Pending
Chief of Police	N	100% General Fund	PD	Process Ongoing
Civil Engineer 2	Y	Sound Transit Funded	PW	Extended Offer, Pending Acceptance
Code Compliance Supervisor	N	100% General Fund	CED	Pending
Information Systems Analyst	Y	100% General Fund	FS	Hiring Manager Reviewing Applications
Information Systems Technician	Y	100% General Fund	FS	Pending
Parking Compliance Officer	Y	100% 102 Fund	PD	Sourcing Candidates
Prosecuting Attorney	N	100% General Fund	LGL	Pending
Recreation Program Specialist	Y	100% General Fund	PCPS	Posted Internally

Fund Key

102 Fund = Street

307 Fund = Public Works Engineering / Transportation CIP

403 Fund = Surface Water Management

404 Fund = Solid Waste

501 Fund = Equipment Rental

Employee Headcount as of 03/01/2019

Regular Full Time: 110

Regular Part Time: 7

Variable Hour: 27

Seasonal: 3

Total Headcount: 147*

**Does not include contracted Fire and Police*



MEMORANDUM

To: Administration and Finance Committee
Through: Carl Cole, City Manager
From: Gwen Pilo, Finance And Systems Director
Date: March 14, 2019
Re: 2019-2020 Budget Amendment

History:

Various one-time and ongoing requests were submitted by the City Manager for consideration and presentation at the March 14, 2019 A&F committee meeting.

Exhibit B provides the Committee with a total summary of all funds, after the addition of the requested expenditures, by fund. The General Fund has available fund balances that can be allocated for the decision cards and other adjustments not classified as carry-forward amounts. Decision cards are attached as Exhibit C.

Exhibit A shows the requests classified into three groups; Carry-Forwards, Decision Cards, and Other Adjustments. Carry-Forwards are generally contracts or projects started in a previous year but not completed and require the remaining budget amount to be “Carried-Forward” into the new budget year. Decision Cards are new programs not included in a previous budget. Other Adjustments, for the purpose of this request, are items that were inadvertently forgotten during the budget process.

Analysis:

General Fund (001) requests total \$640,350 for the biennium and include \$105,689 for carry-forwards, \$183,844 in decision cards, and \$350,817 for other adjustments.

Carry-forwards include:

- NoaNet Contract (Fiber Optics study)
- BERK Consulting Contract (Police Services study)
- Mailbox Program

Decision Cards include:

- Probation Counselor PT to FT
- DUI Therapeutic Court Training
- PROS Plan

Other adjustments are line items for Small Tools and Repairs for the following programs:

- Central Facilities
- Maintenance facility
- Community Center
- Ballfield Maintenance

- Park Maintenance

The Street Fund (102) requests total \$577,936 in carry-forwards for the 2019 Overlay Project–Des Moines Memorial Drive South, S 128th St to S 136th St.

The Hotel/Motel Fund (107) requests \$26,302 in carry-forwards for completion of the market data research report and brand development and marketing initiatives to promote the City of SeaTac economic development opportunities and strengthen the competitive positioning in the broader market.

The Municipal CIP Fund (301) requests \$770,819 in carry-forwards for the following projects:

- City Hall elevator upgrade
- Maintenance Shop lighting upgrade
- Community Center lighting upgrade
- Valley Ridge Park improvements
- Angle Lake playground
- S 188th Street Fence Beautification

The Facility Construction CIP (306) requests \$25,000 in carry-forwards for the Maintenance Facility roof repair.

The Transportation CIP (307) requests \$4,489,234 in carry-forwards for the following projects:

- Military Rd & S 152nd St (S 150th - IB)
- Des Moines Memorial Drive & S 200th Intersection
- International Blvd Safety Improvements
- Intelligent Transportation Systems
- S 166th St Pedestrian Improvements
- S 200th St Pedestrian & Bicycle Shared Pathway

The grand total of all funds equals \$5,994,980 for carry-forwards, \$183,844 for Decision Cards, and \$350,817 for other requests.

Budgetary Impacts:

Carry-forward amounts are the unspent funds in the prior year and are considered one-time expenditures. These items have no impact on the operational budget as they were considered unspent when projecting end of year balances and will now be brought forward into 2019 to complete the projects.

Decision Cards consist of \$75,000 in one-time funding and \$110,000 in on-going program funding for Court services. The on-going request will have an impact going forward.

The other adjustment for Small Tools and Repairs for the Parks programs will also impact the on-going operation budget going forward.

While it is too early in the year to project if general fund revenues will be generated to cover the cost, we ended 2018 with approximate \$2,000,000 in revenue over what was budgeted. While there is no guarantee 2019 will be as prosperous, we anticipate ending 2019 in the range of the optimistic projection. This projection still supports that the City will not begin to use the excess ending fund balance until 2022.

If all requests are approved the budgeted ending fund balance across all funds will be reduced \$6.5 million to \$71.2 million.

EXHIBIT A
2019-2020 Biennial Budget Amendment

Revenue

Expenditures

FUND # To Acct #

001 001.000.01.511.60.41.000
001.000.02.512.50.43.033
001.000.02.523.30.XX.XXX
001.000.03.513.10.41.000
001.000.08.521.21.35.000
001.000.10.571.10.41.000
001.000.10.518.30.35.000
001.000.10.518.30.48.000
001.000.10.543.50.35.000
001.000.10.543.50.48.000
001.000.10.575.51.35.000
001.000.10.575.51.48.000
001.000.10.576.40.35.000
001.000.10.576.40.48.000
001.000.10.576.80.35.000
001.000.10.576.80.48.000

Subtotal General Fund (001)

102 102.000.11.595.30.63.217

Subtotal Street (102)

107 107.000.13.557.30.41.113

107.000.13.557.30.41.114

Subtotal Hotel/Motel Fund (107)

301 301.000.04.594.19.62.001

301.000.04.594.40.62.072

301.000.04.594.75.62.002

301.000.04.594.76.63.155

301.000.04.594.76.63.158

301.000.04.594.76.63.212

Subtotal Municipal CIP Fund (301)

306 306.000.10.594.19.62.002

Subtotal Fac. Constr. CIP Fund (306)

307 307.000.11.595.30.63.166

307.000.11.595.30.63.181

307.000.11.595.64.63.100

307.000.11.595.64.63.101

307.000.11.595.69.63.101

307.000.11.595.69.63.102

Subtotal Transp. CIP Fund (307)

Grand Total - ALL FUNDS

<u>2018 Carry-Forwards</u>		<u>Decision Cards</u>		<u>Other Adjustments</u>		<u>TOTAL</u>
2019	2020	2019	2020	2019	2020	2019-2020
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$49,906		\$25,000				\$49,906
		\$49,765	\$59,079			\$108,844
\$30,456						\$30,456
\$25,327						\$25,327
		\$50,000				\$50,000
				\$10,000	\$0	\$10,000
				\$71,666	\$71,666	\$143,332
				\$3,360	\$0	\$3,360
				\$20,630	\$5,584	\$26,214
				\$0	\$30,869	\$30,869
				\$32,553	\$40,220	\$72,773
				\$0	\$10,837	\$10,837
				\$5,577	\$50,578	\$56,155
				\$13,005	\$1,344	\$14,349
				\$18,757	-\$35,829	-\$17,072
\$105,689	\$0	\$124,765	\$59,079	\$175,548	\$175,269	\$640,350
\$577,936						\$577,936
\$577,936	\$0	\$0	\$0	\$0	\$0	\$577,936
\$5,000						\$5,000
\$21,302						\$21,302
\$26,302	\$0	\$0	\$0	\$0	\$0	\$26,302
\$64,161						\$64,161
\$29,508						\$29,508
\$29,509						\$29,509
\$612,112						\$612,112
\$23,529						\$23,529
\$12,000						\$12,000
\$770,819	\$0	\$0	\$0	\$0	\$0	\$770,819
\$25,000						\$25,000
\$25,000	\$0	\$0	\$0	\$0	\$0	\$25,000
\$1,783,549						\$1,783,549
\$21,473						\$21,473
\$500,000						\$500,000
\$82,000						\$82,000
\$1,229,721						\$1,229,721
\$872,491						\$872,491
\$4,489,234	\$0	\$0	\$0	\$0	\$0	\$4,489,234
\$5,994,980	\$0	\$124,765	\$59,079	\$175,548	\$175,269	\$6,529,641

Description

Professional Services (NoaNet Contract)
DUI Therapeutic Court Training
Probation Counselor - Full Time
Professional Services (BERK Consulting)
Small Tools & Minor Equipment (Mailbox Program)
PROS Plan
Small Tools & Minor Equipment
Repairs & Equipment
Small Tools & Minor Equipment
Repairs & Equipment
Small Tools & Minor Equipment
Repairs & Equipment
Small Tools & Minor Equipment
Repairs & Equipment
Small Tools & Minor Equipment
Repairs & Equipment
Small Tools & Minor Equipment
Repairs & Equipment

2019 Overlay Project

Market Data Research
Brand Development & Marketing

City Hall Elevator Upgrade
Maintenance Shop Lighting Upgrade
Community Center Lighting Upgrade
Valley Ridge Park Improvement
Angle Lake Playground
S 188th St Fence Beautification

Maintenance Facility Roof Repair

Military Rd & S 152nd St (S 150th - IB)
Des Moines Memorial Dr & S 200th Intersection
International Blvd Safety Improvements
Intelligent Transportation Systems
S 166th St Pedestrian Improvements
S 200th St Ped & Bicycle Shared Pathway

CITY OF SEATAC, WASHINGTON
2019-2020 BIENNIAL BUDGET: EXHIBIT B

3/26/2019

2019-2020 BIENNIAL BUDGET (EXPENDITURES + ENDING BALANCES) = \$ 220,941,133					
FUND		BEGINNING BALANCE 2019-2020	REVENUES & OTHER SOURCES 2019-2020	EXPENDITURE APPROPRIATION 2019-2020	ENDING BALANCE 2019-2020
001	General Fund	\$ 24,087,825	\$ 80,457,131	\$ 80,102,058	\$ 24,442,897
102	Street Fund	16,827,087	21,642,044	17,297,820	21,171,311
105	Port ILA	1,498,177	2,940,579	3,075,920	1,362,836
106	Transit Planning	362,187	647,282	645,282	364,187
107	Hotel/Motel Tax	8,260,414	3,700,000	2,608,040	9,352,374
108	Building Management	3,222,901	1,610,560	2,148,874	2,684,587
110	Facility Repair & Replacement	-	-	-	-
111	Des Moines Creek Basin ILA	2,395,116	700,000	374,866	2,720,250
206	2009 LTGO Bond Fund	13,527	-	-	13,527
207	SCORE Bond Servicing	470,613	415,463	405,197	480,879
301	Municipal Capital Improvements	4,625,651	3,254,291	4,469,096	3,410,846
306	Municipal Facilities CIP	1,025,167	20,000	25,000	1,020,167
307	Transportation CIP	9,652,450	11,474,290	24,004,827	(2,878,087)
308	Light Rail Station Areas CIP	1,869,944	3,004,282	2,995,625	1,878,601
403	SWM Utility	4,421,478	8,719,182	7,952,099	5,188,560
404	Solid Waste & Environmental	223,646	753,240	553,287	423,599
501	Equipment Rental	1,123,471	1,523,134	2,562,756	83,848
TOTAL BIENNIAL BUDGET		\$ 80,079,654	\$ 140,861,478	\$ 149,220,748	\$ 71,720,385

Exhibit C
Decision Cards
(6 pages)

**City of SeaTac 2019-2020 Budget
Decision Card**

Title: DUI Therapeutic Court Training		Department: Court
Amount: \$ 25,000.00		Division: Judicial
BARS#: 001.000.02.512.50.43.033		Director: Gail Cannon
On-Going <input type="checkbox"/>	Mandatory <input type="checkbox"/>	Preparer: Gail Cannon
One-Time <input checked="" type="checkbox"/>	Discretionary <input checked="" type="checkbox"/>	

Description: (Provide a brief overview of what is being requested)

Funding for employee training required to implement a DUI Therapeutic Court.

Justification: (Explain why this is being requested and/or how the request will benefit the City):

DUI Courts are separate court dockets dedicated to changing the behavior of alcohol/drug dependent offenders convicted of DUI. DUI Courts have been created to help alleviate caseload pressures, as well as expand to embrace the therapeutic jurisprudence model. The goal is to reduce recidivism by attacking the root cause of DUI: alcohol and other drug abuse. This system is able to appropriately address convicted drivers in a manner that targets the defendant's dependence on alcohol, which is usually the cause of repeat offenses. DUI Courts provide an option of strict court supervision of the defendant's conduct while the defendant engages in an appropriate form of treatment. Supported by the American Judges Association, the Governor's Highway Safety Association, the International Association of Chiefs of Police, Mothers Against Drunk Driving, the National Alcohol Beverage Control Association, National Association of Prosecutor Coordinators, the National District Attorneys Association, the National Sheriff's Association, and the National Transportation Safety Board, DUI Courts have a body of evidence demonstrating that "close monitoring" and intensive treatment with individualized sanctions for DUI offenders reduces recidivism. This program is a multidisciplinary collaborative effort between law enforcement, legal department, legal counsel, treatment provider, and the court.

Alternatives: (List possible alternatives and/or risks if funding is not approved):

The Court is already in the preliminary stages of implementing a DUI Court and training is required to proceed with implementation.

City Goal: (Identify one or more City Goal addressed by this request):

City Operations, Life Long Learning, and Public Safety. A reduction in recidivism translates to increased public safety and decreased costs related to processing a defendant through the court system repeatedly.

Funding Source: (How will this request be funded):

<u>Source/Fund (be specific)</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Current Operations:		
Ending Fund Balance: General Fund	\$ 25,000.00	
Grant:		
Other:		
TOTAL	\$ 25,000.00	\$ 0.00

**City of SeaTac 2019-2020 Budget
Decision Card**

Title: Probation Counselor - Full Time		Department: Court
Amount: \$ 108,844.00		Division: Judicial
BARS#: 001.000.02.523.30.11.000		Director: Gail Cannon
On-Going <input checked="" type="checkbox"/>	Mandatory <input type="checkbox"/>	Preparer: Gail Cannon
One-Time <input type="checkbox"/>	Discretionary <input checked="" type="checkbox"/>	

Description: (Provide a brief overview of what is being requested)

Increase the Probation Counselor position from part-time (28 hours) to full time (40 hours)

Justification: (Explain why this is being requested and/or how the request will benefit the City):

Due to an increased workload, this position is no longer able to perform the basic functions of the job in the hours allotted each week. When this position was created in January of 2017, the probation counselor was responsible for monitoring a caseload of approximately 35 offenders. At this time, the position is responsible for monitoring a caseload of 75 offenders. The probation counselor facilitates four Domestic Violence Moral Reconciliation Therapy classes each week. This program utilizes a cognitive behavioral approach, believing that changes in cognition can lead to changes in behavior. It is designed to influence how offenders think about moral issues and make moral judgments, specifically about committing new offenses. The evidence to date suggests this intervention has reduced crime, which is a benefit to the City by reducing costs associated with recidivism while increasing public safety. The probation counselor is also in the process of implementing the evidence based cognitive restructuring program "Thinking for a Change". This can be used with non-domestic violence habitually involved offenders, those costing the City the most amount of money due to the fact that they are continuously cycling in and out of jail.

Alternatives: (List possible alternatives and/or risks if funding is not approved):

If this request is not approved the probation counselor would not have sufficient hours to appropriately monitor the offenders on active probation in accordance with their risk. This can put the City at possible risk of liability.

City Goal: (Identify one or more City Goal addressed by this request):

The City Goal supported by this request is Public Safety.

Funding Source: (How will this request be funded):

	<u>Source/Fund (be specific)</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Current Operations:	General Fund	\$ 49,765.00	\$ 59,079.00
Ending Fund Balance:			
Grant:			
Other:			
TOTAL		\$ 49,765.00	\$ 59,079.00

City of SeaTac New Position Request Worksheet

(Required for all decision cards requesting a new position)

Title of Associated Decision Card: Probation Counselor - Full Time

Position Title *(Provided by HR)*: Probation Counselor

Salary Range/Step *(Provided by HR)*: 53 D

Limited Position?: No

Primary Duties/Responsibilities:

- *Manages a caseload of misdemeanor offenders.
- *For offenders referred to the misdemeanor probation department, determine their risk to the community using a standardized classification system with a minimum of monthly face to face interviews for offenders classified as high risk (R6-R9).
- *Supervise offenders with face to face interviews depending on risk classification system.
- *Conduct regular (monthly) individual case history record checks for each offender to alert the court of any new violations that could result in a finding of non-compliance with the terms of judgment and sentence.
- *File monthly compliance reports on all active probation defendants, including those who are in a Deferred Prosecution program, using Monthly Probation Report Form.
- *Monitors offender compliance with sentence requirements, conditions of supervision, and treatment requirements using monthly contacts per classification standards, including interviewing in the office.
- *Administers alternative to incarceration programs as directed by the Municipal Judge.
- *Counsels offenders as required.
- *Refers probationers for community service placements and to appropriate resource and treatment programs.
- *Assesses and monitors drug/alcohol usage, including collection of urine sample if necessary.
- *Gathers criminal history record information.
- *Completes intake processes.
- *Completes classification assessments and reassessments.
- *Conducts pre-sentence investigations on orders from the court; and conducts in-depth interviews with offenders in order to gather accurate data regarding background and present situation(s).
- *Investigates and prepares pre-sentence reports containing summary background data gathered in pre-sentence interviews and collateral contacts; assesses problem areas, including alcohol, drugs, domestic violence and mental illness, and submits reports including sentencing alternatives to the court.
- *Investigates and reports violations of probation and/or sentence conditions.
- *Assists probationers concerning problems that affect individual probation plans; assists in vocational education or employment planning.
- *Communicates with and establishes cooperative working relationships with law enforcement, community and regulatory agencies, and court personnel.
- *Maintains log contacts and information obtained relative to an individual case; contacts and corresponds with other agencies related to the individual case in order to monitor activity and progress.

	2019	2020
Total Salary <i>(provided by Finance)</i>	23,849.00	25,808.00
Total Benefits <i>(provided by Finance)</i>	25,916.00	33,271.00
Subtotal Salary and Benefits	\$ 49,765.00	\$ 59,079.00
Furniture and Office Equipment	0.00	0.00
Computer Hardware and Software	0.00	0.00
Uniform	0.00	0.00
Vehicle <i>(provided by Public Works)</i>	0.00	0.00
Equipment Rental Charges <i>(from 501 Fund - provided by Public Works)</i>	0.00	0.00
Training	0.00	0.00
Telephone <i>(cell/pager, etc.)</i>	0.00	0.00
Other <i>(specify)</i> :	0.00	0.00
Subtotal Associated Costs	\$ 0.00	\$ 0.00
TOTAL:	\$ 49,765.00	\$ 59,079.00

**City of SeaTac 2019/2020 Budget
Decision Card**

Title: Parks and Recreation Open Space (PROS) Plan	
Amount: \$ 50,000.00	Department: PCPS
BARS#: TBD	Division: Administration
On-Going <input type="checkbox"/>	Mandatory <input checked="" type="checkbox"/>
One-Time <input checked="" type="checkbox"/>	Discretionary <input checked="" type="checkbox"/>
	Director: Lawrence Ellis
	Preparer: Lawrence Ellis

Description: (Provide a brief overview of what is being requested)

Hire a consultant to assist parks administration in preparing the PROS Plan through community engagement, gathering data and implement a plan.

Justification: (Explain why this is being requested and/or how the request will benefit the City):

Parks, Recreation and Open Space (PROS) Plan are key elements of a community's quality of life. The PROS plan assists in prioritizing investments in facilities and recreation programs for the City. The intent of the PROS Plan is to build the framework for future development of parks, community programs, and human services and serve as a companion document to the SeaTac Comprehensive Plan. Goals and policies identified through the PROS Plan will fold into the SeaTac Comprehensive Plan and identify the long term goals for SeaTac Parks, Community Programs and Services.

The PROS Plan provides several key elements for the City and the Parks, Community Programs and Services Department:

1. Analyze background information, population data and regional characteristics that guide parks, recreation and open space.
2. Assess and prioritize service needs, desires, and levels of service through stakeholder interviews, focus groups, and community meetings.
3. Develop an action plan for implementation of strategies.
4. Lay out action steps to implement those goals and policies in keeping SeaTac Parks and Recreation mission and the plans desired outcomes.
5. Integration of PROS Plan elements into the SeaTac Comprehensive Plan.
6. PROS Plan is required by the Washington State Recreation and Conservation Office to maintain the City's eligibility for state grants and other funding programs.

The PROS Plan should be updated every ten years. The first PROS Plan was conducted in 1998, five years after the City was incorporated, and the second PROS Plan was completed in 2008. The City secured \$1,199,900 in grant funding over the last 10 years.

Alternatives: (List possible alternatives and/or risks if funding is not approved):

If funding is not approved the City will continue to operate under the outdated PROS Plan conducted in 2008 and will not be eligible to apply for State grants and funding opportunities.

City Goal: (Identify one or more City Goal addressed by this request):

City Operations: Continuously improve the effectiveness and efficiency of a city government.
Community Engagement - Actively engage the community to gather input on city governance and issues of concerns.

Funding Source: (How will this request be funded):

	<u>Source/Fund (be specific)</u>	<u>2019 Amount</u>	<u>2020 Amount</u>
Current Operations:	General Fund	\$ 50,000.00	\$ 0.00
Ending Fund Balance:			
Grant:			
Other:			
TOTAL		\$ 50,000.00	\$ 0.00

Parks, Recreation and Open Space Plan (PROS Plan)

What is a PROS Plan?

- Will assist in prioritizing City investments in the facilities and recreation programs
- Build the framework for future developments of parks, community programs, and human services and serve as a companion document to the SeaTac Comprehensive Plan
- Identifies the long term goals for SeaTac Parks, Community Programs and Services
- Analyze background information, population data and regional characteristics that guide parks, recreation and open space



Riverton Heights Park – CDBG Grant \$332,000

Why is it Important?

- It is a requirement for many Federal and State Grant applications: *“Is the property identified in an adopted park, open space, comprehensive or community plan?”*
- Document inventory and asset management of parks assets (equipment repair and replacement schedules)
- Incorporates City’s park demands and needs assessment
- Sets City priorities and implementation strategy
- Required by the Washington State Recreation and Conversation Office to maintain the eligibility for state grants and funding programs
- PROS Plan is established every 10 years. City existing PROS Plan (1998-2008; 2008-2018)
- Between 2008 and 2018, City secured \$1,199,900 grant funding by using the PROS Plan



Valley Ridge Teen Center – CDBG Grant \$265,000



Skate Park at Neighborhood Park – CDBG Grant \$278,000

Review of the City's Existing PROS Plan, 2008 – 2018

- Planning Process
- Community Profile
- Major Issues & Goals and Policies
- Park demands & Needs Assessment
- Parks and Recreation Facilities 10 Year Repair and Replacement Plan
- Park Inventory
- Recreation Programs
- Implementation & Recommendations

A New PROS Plan, 2019-2029

- Provide a 10 year "Master Plan" for Parks, Community Programs and Services Department
- Apply for the majority of Federal and State Grants
- Community outreach to determine community values and needs
- Continue the goals and policies that were established in 2008-2018 PROS Plan
- Guide future budget spending

Request for Consultant Money, Budget Amendment

\$50,000 consultant contract is to undertake the following scope:

- Undertake community outreach (including a survey)
- Undertake a needs assessment
- Work with staff to collect valuable data
- Assess and prioritize service needs
- Prepare and implement a strategy/action plan

Staff will prepare the final document including an update of the community profile, projects to date, parks inventory, and asset management information.



Neighborhood Park at SeaTac Community Center – CDBG Grant \$250,000



Sunset Park Soccer Field – CDBG Grant \$324,000



MEMORANDUM

To: Administration & Finance Committee
From: Kristina Gregg, City Clerk
Date: March 11, 2019
Re: Appointment of Employees and Councilmembers' Spouses to Citizen Advisory Committees

The discussion about whether City employees should be appointed to Citizen Advisory Committees was referred to the Administration & Finance Committee. However, I feel it is also prudent to discuss whether Councilmembers' spouses should be appointed to Citizen Advisory Committees for the same reasons.

City employees, and Councilmembers' spouses, appointed as members on Citizen Advisory Committees

Background: In the recent past, both City employees and Councilmembers' spouses have been appointed to serve on Citizen Advisory Committees. The City employee stepped down in December and the Councilmember's spouse chose not to re-apply for her position with a term ending March 31, 2019. The City currently does not have a policy stating whether employees or Councilmembers' spouses should or shouldn't be appointed. Now is the perfect time to make this determination for moving forward.

Arguments against appointment:

1. Their opinion may be perceived to be the "City's" opinion.
2. Other members of the committee may give greater weight to the opinion of the perceived insider.
3. Could have the appearance of being a conflict of interest.

Questions: Should City employees or Councilmembers' spouses be appointed to Citizen Advisory Committees?

Sample: Sample language from the Walla Walla Code of Conduct regarding Nepotism: Councilmembers' spouses and members of their households shall not be appointed or serve on advisory commissions of the city.

Next steps:

1. Recommend no changes be made and report out at the next Regular Council Meeting.
2. Recommend language be added to the Citizen Advisory Committee Ordinance related to appointment of employees and Councilmembers' spouses and move forward to a Regular Council Meeting for Council action.
3. Recommend language be added on the above topic, but also ask for the Ordinance to be referred to the A&F Committee for further review of any additional changes in order to only bring the Ordinance forward to Council one time.



MEMORANDUM

To: Administration and Finance Committee
Through: Carl Cole, City Manager
From: Gwen Pilo, Finance and Systems Director
Date: March 14, 2019
Re: City of SeaTac Investment Policy

History:

The City adopted SMC 3.40 and the Investment Policy in 1990. The Policy was updated in via Resolution in 1995, however the Code was not updated and the Policy appears to be in conflict with the Code in a few areas.

It is a GFOA (Government Finance Officers Association) Recommended Best Practice to review the Investment Policy every three years. It appears the Policy may have been reviewed in 2013 but no changes were made.

Analysis:

Attached is a draft version of an Investment Policy created using RCW 35, 39 and 43; GFOA Best Practices for Investing Policies and Governance, Performance, Types of Investments, and Investment Services; and the WPTA (Washington Public Treasurer's Association) Sample Policy used in their certification program.

As this is the first step in the process I would like to check in with the A&F Committee to ensure the Committee is ok with a few policy areas that may be departures from the current Policy and/or Code language.

- 1) SMC 3.40.160 creates an investment committee composed of the Finance Director, City Manager and Chair of the A&F Committee. This committee is responsible for the investment of excess funds.
The 1995 Policy gives that responsibility to the City Manager who can delegate to the appropriate responsible officials of the City.
The Draft Policy has the City Council give the authority to the Finance Director.
- 2) SMC 3.40.180 directs the Finance Director to provide monthly reports to the City Council on behalf of the Investment Committee.
The 1995 Policy has the "responsible official" reporting quarterly to the City Manager and A&F Committee.

The Draft Policy has the Finance Director reporting quarterly to the A&F Committee and provides detail of what the report shall provide, including performance standards and compliance reporting.

- 3) The Draft Policy also includes an updated section on Authorized Suitable Investments (Section 8), a new section for Internal Control (Section 6.3) and Investment Parameters (Section 9).

Once the A&F Committee provides feedback on the Draft Policy I will work with the legal department to create an Ordinance for Council to adopt the policy and bring it back to A&F for recommendation.

CITY OF SEATAC
INVESTMENT POLICY
(ADOPTED XX/XX/XXX)

Policy Statement

This Policy establishes standards and guidelines for the direction, management and oversight for all of the City of SeaTac’s (“City”) investable funds. These funds include cash for liquidity purposes, intermediate investments for ongoing operations and long term investments for dedicated accounts. Funds must be invested prudently to assure preservation of principal, provide needed liquidity for daily cash requirements, and provide a market rate of return. For purposes of the City’s Investment Policy, safety and liquidity are higher priorities than return on investment. All investments must conform to federal, state, and local statutes governing the City of SeaTac public funds investments.

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1.0 INTRODUCTION

This Investment Policy defines the parameters within which funds are to be invested by the City of SeaTac (City). This Policy also formalizes the framework to provide the investment authority and constraints for the City to maintain an effective and judicious management of funds within the scope of this Policy.

This Policy is intended to be broad enough to allow the Finance and Systems Director, or authorized designee, to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

This policy:

- Sets out guidelines for the prudent management of the City's funds;
- Describes realistic parameters and goals for safely investing those funds;
- Establishes expectations for generally acceptable returns at a suitable level of risk that matches the purpose of the City's funds;
- Provides the framework within which the Finance and Systems Director will operate by setting out objectives, guidelines, and structure that include details on the universe of permitted investments and any restrictions of their use.

The City Council reserves the right to amend this policy as deemed necessary.

2.0 GOVERNING AUTHORITY

The City of SeaTac investment authority is derived from RCW Chapters 35, 39 and 43. The investment program shall be operated in conformance with the Revised Code of Washington and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington.

The City Council has the direct authority to provide for the Finance and Systems Director or his/her designee, the responsibility for the daily operations of the City's investment program and activities. (SeaTac Municipal Code (SMC) Chapter 3.40)

3.0 SCOPE OR IDENTIFICATION OF FUNDS

This policy applies to activities of the City of SeaTac with regard to investing the financial assets of all funds including, but not limited to, operating, capital improvement, and restricted funds.

This investment policy applies to all investment transactions involving the financial assets and related activity of all City funds.

4.0 OBJECTIVES

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements. The objectives, in order of priority, of the investment activities will be as follows:

4.1 Safety:

Safety of principal is the primary objective of the City. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, funds will be diversified, utilizing highly rated securities, by investing in a variety of securities and financial institutions. The investment portfolio will be invested in a manner that meets RCW statutes and all legal requirements of the City.

4.2 Liquidity:

The investment portfolio will provide liquidity sufficient to enable the City to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a minimum balance to meet daily obligations.

4.3 Return on Investment:

The investment portfolio will be structured with the objective of attaining a market rate of return throughout economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio. Nevertheless, return on investment is a lesser objective than safety or liquidity.

5.0 STANDARDS OF CARE

5.1 Delegation of Authority:

Governing Body: The ultimate responsibility and authority for the investment of City funds resides with the City Council who has the authority to direct the management of the City investment program.

Authority: Pursuant to the **SMC 3.40 and Resolution XXXX**, the overall management responsibility for the investment program is hereby delegated to the Finance and Systems Director, or designee, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. The Finance and Systems Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment Advisor: The City may contract with an external non-discretionary investment advisor (Advisor) to assist with the management of the City's investment portfolio in a manner that is consistent with the City's objectives and this policy. Such Advisors shall provide recommendations and advice regarding the City investment program including but not limited to advice related to the purchase and sale of investments by this Investment Policy.

5.2 Prudence:

The standard of prudence to be used by the Finance and Systems Director or any designees in the context of managing the overall portfolio shall be the prudent person rule which states: *Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.*

The Finance and Systems Director, or any designee acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from

expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In determining whether the Finance and Systems Director or any designee has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than a consideration as to the prudence of a single investment; and, whether the investment decision was consistent with the written investment policy of the entity.

5.3 Ethics:

5.3.1 Employees Involved in the City Investment Program Must Avoid Conflicts of Interest.

Association with the investment program in any capacity is considered employee involvement. Employees must avoid personal business activity that may:

- Conflict with the proper execution of the investment program.
- Impair their ability to make impartial investment decisions.

5.3.2 Employees Associated with the City Investment Program Must Disclose Certain Personal Information to the Finance and Systems Director or his/her Designee in Writing. The Finance and Systems Director shall in turn notify any conflicts or perceived conflicts to the Administration and Finance Committee.

The disclosure should list:

- Any material interests in financial institutions that conduct business with the City.
- Any personal financial or investment positions that could influence the performance of the City's investment portfolio, particularly with regard to the timing of purchases and sales.

6.0 SAFEKEEPING, CUSTODY, AND CONTROLS

6.1 Delivery vs. Payment:

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

6.2 Third Party Safekeeping:

Prudent treasury management requires that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by an independent third-party financial institution or the City's designated depository.

The Finance and Systems Director shall designate all safekeeping arrangements and an agreement of the terms shall be executed in writing. The third-party custodian shall be required to provide a statement to the City listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number.

All collateral securities pledged to the City for certificates of deposit or demand deposits shall be held in accordance with the State of Washington's Public Deposit Protection Commission (PDPC).

6.3 Internal Controls:

The Finance and Systems Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical delivery of marketable securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

7.0 AUTHORIZED FINANCIAL DEALERS

7.1 Broker/Dealers:

The Finance and Systems Director shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the City for investment purposes. The City shall follow GFOA best practices for evaluating and selecting financial institutions and broker/dealers.

The Finance and Systems Director or designee may utilize the investment advisor's approved broker/dealer list in lieu of the City's own approved list. The Advisor must submit the approved list to the City annually and provide updates throughout the year as they occur. The Advisor must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment advisor broker/dealer review procedures include:

- a. FINRA Certification check:
 - i. Firm profile
 - ii. Firm history
 - iii. Firm operations
 - iv. Disclosures of arbitration awards, disciplinary and regulatory events
 - v. State Registration Verification
- b. Financial review of acceptable FINRA capital or letter of credit for clearing settlements.

The Advisor may be authorized through the contracted agreement to open accounts on behalf of the City with the broker/dealers on the approved broker dealer list.

7.2 Investment Advisors:

Advisors must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the City prior to all transactions.

7.3 Bank Institutions:

The City will only place funds, exceeding the current FDIC insurance limits, with banks who are currently participating in the Washington State PDPC program. Compliance/listing with the PDPC will be verified by the Advisor or designated investment officer utilizing the Washington State Treasurer's website.

7.4 Competitive Transactions:

Transactions must be executed on a competitive basis and documented. Competitive prices should be provided from at least three separate brokers, financial institutions or through a national electronic trading platform. If the purchased security is only offered by one broker, then other securities with similar structure may be used for documentation purposes. When an Advisor handles trade executions, they must provide the competitive documentation as requested.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

8.1 Authorized Investments:

Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080):

Among the authorized investments are U.S. Treasury and Agency securities (i.e., obligations of any government sponsored enterprise eligible for collateral purposes at the Federal Reserve), municipal debt, certificates of deposit with qualified public depositories within statutory limits as promulgated by the Washington State PDPC at the time of investment, and the Washington State Local Government Investment Pool.

The State of Washington Local Government Investment Pool is the only government-sponsored Pool approved for investment of funds.

This policy recognizes S&P, Moody's and Fitch as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).

In the case of split ratings, where the major NRSROs issue different ratings, the lower rating shall apply. Minimum credit ratings and percentage limitations apply to the time of purchase.

All securities must be purchased on the secondary market and may not be purchased directly from the issuer.

8.2 Suitable Investments:

The City is empowered to invest in the following types of securities:

US Treasury Obligations: Direct obligations of the United States Treasury.

US Agency Obligations Primary Issuers: Government Sponsored Enterprises (*GSEs*) – Federal Instrumentality Securities include, but are not limited to Federal National Mortgage Association (*FNMA*), the Federal Home Loan Mortgage Corporation (*FHLMC*), Federal Home Loan Banks (*FHLB*), and the Federal Farm Credit Banks (*FFCB*).

US Agency Obligations Secondary Issuers: Other US government sponsored enterprises that are less marketable are considered secondary *GSEs*. They include, but are not limited to: Private Export

Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac).

Municipal Debt Obligations: Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the bonds must have at a minimum rating of AA- from S&P, Aa3 from Moody's or AA- from Fitch.

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions that are qualified public depositories as defined in RCW 39.58.010(2) and by the restrictions within.

Time Deposits and Savings Accounts Issued by Banks: Deposits in PDPC approved banks.

Local Government Investment Pool: Investment Pool managed by the Washington State Treasurer's Office.

8.3 Bank Collateralization:

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under RCW 39.58.240, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

9.0 INVESTMENT PARAMETERS

9.1 Diversification:

The City will diversify the investment of all funds by adhering to the constraints by issuer type in accordance with the following table:

Issue Type	Maximum % Holdings	Maximum % per Issuer
U.S Treasury Obligations	100%	None
U.S. Agency Obligations Primary Issuers FHLB, FNMA, FHLMC, FFCB	100%	30%
U.S Agency Obligations Secondary Issuers FICO, FARMER MAC etc.	20%	10%
Municipal Debt Obligations	20%	5%
Certificates of Deposits	15%	5%
Bank Time Deposits & Savings Accounts	50%	None
Local Government Investment Pool	100%	None

The City will not directly invest in securities maturing more than five (5) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed 3 years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool, PDPC bank deposits, or cash matched securities.
- Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in high quality and liquid securities.
- Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	3.00

- Exception to 5 year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

9.2 Strategic Allocations:

9.2.1 Funds and their Allocation

- a. Liquidity funds for the operating account will be allocated to LGIP, CD's, PDPC Bank Deposits.
- b. The structure of the Investment Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.
- c. Longer term restricted funds will have an identified market benchmark to manage risk and return.

9.2.2 Monitoring and Portfolio Adjustment: As a general practice, securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

- a. The portfolio duration or maturity buckets should be adjusted to reflect better the structure of the underlying benchmark portfolio.
- b. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
- c. A sale of a security to provide for unforeseen liquidity needs.

9.4 Prohibited Investments:

9.4.1 The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

9.4.2 The City shall not invest in:

- a. Mortgage-backed securities
- b. Derivative Products
- c. Securities that leverage the portfolio or are used for speculation of interest rates
- d. Any securities on negative credit watch
- e. Mutual Funds
- f. Repurchase Agreements
- g. Reverse Agreements

10.0 REPORTING REQUIREMENTS

10.1 Reporting:

The Finance and Systems Director shall be responsible for investment reporting. At a minimum, quarterly reporting shall be made to the Administration and Finance Committee including but not limited to securities holdings, cash balances, and market values in the investment portfolio.

Specific Requirements:

- Book Yield
- Holdings Report including mark-to-market and security description
- Transactions Report
- Weighted Average Maturity

10.2 Performance Standards:

The portfolio shall be managed to obtain a fair rate of return and earnings rate that incorporates the primary objectives of protecting the City's capital and assuring adequate liquidity to meet cash flow needs.

For purposes of this policy, “earnings rate” will be compared to the LGIP rate. The goal is for the portfolio to generally perform better than the LGIP due to the longer weighted average maturity and the earnings rate is expected to trend in a similar manner as interest rates change.

The investment portfolio performance may be tracked against a market index such as the US treasury 0-3 year index or US treasury 0-5 year index on a total return basis. This will provide for accountability of price changes in the portfolio and help inform the decision process related to the duration of the portfolio.

10.3 Compliance Report:

A compliance report will be generated quarterly comparing the portfolio positions to this investment policy.

10.4 Accounting Method

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to the Governmental Accounting Standards Board (GASB).

Pooling of Funds: Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in the investment program and in accordance with generally accepted accounting principles.

11.0 INVESTMENT POLICY ADOPTION

The City’s Investment Policy shall be adopted by the City Council.

The Policy shall be reviewed annually by the Investment Committee. Any modifications shall be submitted and approved by City Council.

12.0 GLOSSARY OF TERMS

Agency: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally Sponsored Agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. (Also see FEDERAL AGENCY SECURITIES and GOVERNMENT SECURITY)

Agency Securities: Government sponsored enterprises of the US Government.

Asset: Available property, as for payment of debts

Average Maturity: A weighted average of the expiration dates for a portfolio of debt securities. An income fund's volatility can be managed by shortening or lengthening the average maturity of its portfolio.

Bank Wire: A virtually instantaneous electronic transfer of funds between two financial institutions.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity. When selling a security, a bid is obtained. (See Offer)

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and specific assets sometimes secure it. Most bonds have a maturity of greater than one year and generally pay interest semiannually.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

Certificates of Deposit: Instruments issued by a bank specifying that a sum of money has been deposited, payable with interest to the bearer of the certificate on a certain date.

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called "free"). Delivery vs. payment is the delivery of securities with an exchange of money for the securities.

Diversification: Dividing available funds among a variety of securities and institutions so as to minimize market risk.

Duration: A measure used to calculate the price sensitivity of a bond or portfolio of bonds to changes in interest rates. This equals the sum of the present value of future cash flows.

Full Faith and Credit: Indicator that the unconditional guarantee of the United States government backs the repayment of debt.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury; also known as "governments."

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Investment Core Funds: Core funds are defined as operating fund balance and other fund balances that exceeds the City's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the City.

LGIP: Local Government Investment Pool run by the State of Washington Treasurer's office established to help cities with short-term investments.

Mark-to-Market: Adjustment of an account or portfolio to reflect actual market value rather than book price, purchase price or some other valuation.

Market Value: The market value of a security is the price at which can be sold on that date.

Maturity: The date upon which the principal or stated value of an investment becomes due.

Municipal Securities: Securities, usually bonds, issued by a state, its agencies, by cities or other municipal entities. The interest on "munis" is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

Non-Discretionary Investment Advisor: Non-discretionary investment advisor services may include investment management oversight, investment research, portfolio analysis, portfolio reporting and

portfolio recommendations based upon the specific investment policy and investment objectives of each client. Clients must approve any such recommendations before the securities are purchased or sold in their accounts.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security or the amount of money due at maturity. Par value should not be confused with market value.

Portfolio: A collection of securities held by an individual or institution.

Principal: The cost of an instrument on which interest is earned.

Prudent Person Rule: A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

Repurchase Agreement: Range in maturity from overnight to fixed time to open end. Repos involve a simultaneous sale of securities by a bank or government securities dealer to an investor with an agreement for the bank or government securities dealer to repurchase the securities at a fixed date at a specified rate of interest.

Safekeeping: An arrangement under which an organization's securities are kept in a bank vault or in the case of book entry securities, are held and recorded in the customer's name. Evidence of this arrangement is a safekeeping receipt.

Secondary Market: A market where certain securities may be bought and sold at prevailing market prices after their initial distribution but before their stated maturity date.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Yield: The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.