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RESOLUTION NO. 698

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, RELATING TO THE CITY'S OFFICIAL FISCAL POLICY, ADOPTING A REVISED POLICY DOCUMENT AND DIRECTING THAT THE CITY'S OFFICIAL FISCAL POLICY DOCUMENT SHALL BE MAINTAINED BY THE CITY'S FINANCE DIRECTOR; PROVIDING FOR FUTURE AMENDMENTS TO THE OFFICIAL FISCAL POLICY DOCUMENT; AND REPEALING RESOLUTION NO. 674.

WHEREAS, the City Council has determined that the City's fiscal policy adopted by Resolution No. 674 should be revised and that a new policy document setting forth the revised policy should be adopted as the City's official fiscal policy, and

WHEREAS, the City Council has further determined that, in order to provide for a flexible policy document for the future, the City's official fiscal policy document should be maintained by the Finance Director, with future revisions thereto to be made upon passage of a resolution by the City Council directing said changes, now, therefore,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, HEREBY RESOLVE AS FOLLOWS:

Section 1. The document entitled "City of Redmond Fiscal Policy - March, 1985", a copy of which is attached hereto, is hereby adopted as the official fiscal policy for the City of Redmond.

Section 2. The City's fiscal policy shall be maintained by the Finance Director. Future revisions to the City's fiscal policy shall be approved by majority vote of the City Council and shall be made by revising the official policy document maintained by the Finance Director.

Section 3. Redmond City Council Resolution No. 674, passed by the City Council on May 1, 1984, is hereby repealed.

RESOLVED this 19th day of March, 1985.

APPROVED:

  
MAYOR, DOREEN MARCHIONE

ATTEST/AUTHENTICATED:

Doris A. Schaible  
CITY CLERK, DORIS A. SCHAIBLE

FILED WITH THE CITY CLERK: February 22, 1985  
PASSED BY THE CITY COUNCIL: March 19, 1985  
RESOLUTION NO. 698



# **FISCAL POLICY**



Redmond, WA  
1985

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, RELATING TO THE CITY'S OFFICIAL FISCAL POLICY, ADOPTING A REVISED POLICY DOCUMENT AND DIRECTING THAT THE CITY'S OFFICIAL FISCAL POLICY DOCUMENT SHALL BE MAINTAINED BY THE CITY'S FINANCE DIRECTOR; PROVIDING FOR FUTURE AMENDMENTS TO THE OFFICIAL FISCAL POLICY DOCUMENT; AND REPEALING RESOLUTION NO. 674.

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Section 3. Redmond City Council Resolution No. 674, passed by the City Council on May 1, 1984, is hereby repealed.

RESOLVED this 19th day of March, 1985.

APPROVED:

Green Marchione  
MAYOR DOUBEN MARCHIONE



TO THE CITIZENS OF REDMOND:

These policies are the result of many months of effort by both the Finance Committee and the Finance Department to develop the parameters that will guide the financial well-being of the City.

The concerns addressed by these policies include, but are not limited to, the following issues. They insure that the City's accounting practices subscribe to both the legal constraints placed upon it by the state and those practices which are generally accepted in the field of accounting. The state's requirements are the minimally accepted level which must be met to continue to function. Other practices that go beyond these state defined requirements should be employed because they aid in the understanding of the City's finances.

The policies require that the City's finances are reported in a clear, consistent and timely manner that meets, at a minimum, the legal mandates imposed by the state.

Further, these policies provide the overall philosophy in the development of operating and capital budgets. They guarantee that the planning and budgeting of the City's finances will be based upon certain principles which include conservatism in projections of short and long term revenues.

The Council believes that the formal adoption of these policies will insure that the City will enhance the sound financial base that has always been present in the management of the City's resources.

John 'Pat' Vache', President  
Redmond City Council

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# I. General Financial Goals

- A. To maintain an adequate financial base in order to sustain an adequate level of municipal service which is directed to maintain the social well-being or physical conditions of the City.
  
- B. To be able to withstand local and regional economic trauma, to adjust to changes in the service requirements of the community and to respond to other changes as they affect the City's residents.
  
- C. To maintain a good credit rating in the financial community and assure taxpayers that our City government is well managed financially and maintained in sound fiscal condition.

## II. Operating Budget Policies

- A. The base operating budget is the City's comprehensive annual financial plan which provides for the minimally acceptable level of services as defined by the City's goals and objectives. The base budget will annually be redefined by incorporating newly-approved programs, inflationary increases and other uncontrollable expenses, and will be void of non-recurring expenses of the preceeding year. These new programs must be reviewed at least four months prior to their adoption and incorporation in the base budget.
- B. Revenues and expenditures for the General Fund and all operating funds shall be projected for the ensuing fiscal year.
- C. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic activities, revenue estimates adopted by the City Council must be conservative.
- D. All general government current operating expenditures will be paid from current and excess revenues. Current revenues and operating expenditures will be reviewed quarterly during the year. The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets. All budgetary procedures will conform with existing State and local regulations.
- E. All additional city expenditures for programs will only be implemented after consideration of the elasticity of revenues.



### III. Revenue Policies

- A. The City will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

Surpluses and elastic revenues identified but not included in the base budget should be dedicated to capital plant and equipment.

- B. The City will estimate its annual revenues by an objective analytical process.
- C. The City will project revenues for the next three years and will update this projection annually. Each existing and potential revenue source will be re-examined annually.
- D. The City will establish all user charges and at a level related to the cost of providing the services.
- E. Each year, the City will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other cost increases.
- F. The City will regularly revise user fees with review of the City Council to adjust for the effects of inflation.
- G. The City will set fees and user charges for each enterprise fund, such as Water and Sewer, at a level that fully supports the total direct and indirect cost of the activity. *Indirect costs include the cost of annual depreciation of capital assets.*
- H. The City will set fees for other user activities, such as recreational services, at a level to support the direct and appropriate indirect cost of the activity.

Revised 3/85

## IV. Expenditure Policies

- A. The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.
- B. Expenditures will be within the confines of generated revenue.
- C. The City will maintain expenditure categories according to state statute and administrative regulation.
- D. Services will parallel and adjust to the City's inelastic revenue sources in order to maintain the highest level of service. During periods of economic upturn, long term expansion of core services will be limited to the anticipated increase of those sources.
- E. The City will forecast its General Fund expenditures for each of the next three years and will update this forecast annually. Expenditure forecasts will be cognizant of the elastic and inelastic structure of revenues.
- F. Annual operating budgets should provide for adequate design, construction, maintenance and replacement of the City's capital plant and equipment.

Revised 3/85

## V. Capital Improvement Budget Policies

- A. The City will make all capital improvements in accordance with an adopted capital improvement program.

The capital improvements program and the base operating budget will be reviewed at the same time. This will insure that the City's capital and operating needs will be balanced with each other.

- B. The City will develop a multi-year plan for capital improvements and update it annually. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in capital budget projections.
- C. The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
- D. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
- E. The City will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
- F. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance whenever possible.
- G. The City will determine the least costly financing method for all new projects.

Revised 3/85

## VI. Long Term Debt Policies

- A. The City will confine long-term borrowing to capital improvements that cannot be financed from current revenues.
- B. Acceptable uses of bond proceeds can be viewed as items which can be capitalized and depreciated. Noncapital furnishings, supplies and personnel will not be financed from bond proceeds. Refunding bond issues designed to restructure currently outstanding debt are an acceptable use of bond proceeds.
- C. Where possible, the City will use special assessment revenue, or other self supporting bonds instead of general obligation bonds.
- D. The City will not use long-term debt for current operations.
- E. The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
- F. General Obligation Bond Policy
  - 1. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project.
  - 2. Before general obligation bond propositions are placed before the voters, the capital project under consideration should have preferably been included in the two preceding Capital Improvements Programs. The first inclusion should include a general description of the project, its timing and financial limits. Subsequent inclusions should become increasingly specific.

3. Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.

G. Limited Tax General Obligation Bond Policies

1. As a precondition to the issuance of limited tax general obligation bonds, all alternative methods of financing should have been exhausted.
2. Limited tax general obligation bonds should only be issued under certain conditions:

A project in progress requires monies not available from alternative sources.

Matching fund monies are available which may be lost if not applied for in a timely manner.

Catastrophic conditions.

## VII. Reserve Fund Policies

- A. The City will maintain General Fund working capital and reserves. The balance of the Fund will be maintained at a level at least equal to two months of the total General Fund budget.
  
- B. This reserve shall be created and maintained to provide the capacity to:
  - 1. Offset significant downturns and revision in any general municipal purpose fund;
  - 2. Provide sufficient working capital;
  - 3. Provide a sufficient cash flow for daily financial needs at all times.
  
- C. Fund balances for the General Fund should be used for one time capital emergency expenditures only if:
  - 1. There are surplus balances remaining after all reserve and fund allocations are made; or
  - 2. The City has made a rational analysis of justifying evidence that it has an adequate level of short and long-term resources.
  
- D. If fund balances are used to support one time capital and one-time non-operating expenditures, the funds must be specifically appropriated by the City Council.
  
- E. The City will maintain City Street Fund working capital and reserves. The balance of the Fund will be maintained at a level at least equal to two months of the total Street Fund budget. The purpose of the Street Fund reserves and working capital is as stated above.

F. The City shall additionally maintain the following Equipment Replacement Reserve Funds:

1. Equipment Rental
2. Fire Equipment Reserve

The Equipment Reserve Funds will be maintained at a level sufficient to meet scheduled equipment replacement so as to sustain a sufficient level of municipal services and prevent a physical deterioration of the City.

G. The City shall also maintain Reserve Funds as follows:

1. All statutorily required reserve funds to guarantee debt service.
2. Vacation Accrual Reserve
3. Sick Leave Accrual Reserve

## VIII. Investment Policies

- A. The City will make a cash-flow analysis of all funds on a regular basis. Disbursement, collection, and deposit of all funds will be scheduled to insure maximum cash availability.
- B. When permitted by law, the City will pool cash from several different funds for investment purposes.
- C. The City will invest at least 95 percent of its idle cash on a continuous basis.
- D. The maturity date of new investments should not be further away than the time that the City anticipates that it will need the funds.
- E. The City will analyze market conditions and investment securities weekly to determine what yield can be obtained.
- F. The City will obtain the best possible return on all cash investments.
- G. The City shall not make investments for the purpose of trading or speculation as the dominant criterion, such as anticipating an appreciation of capital value through changes in market interest rates.
- H. The accounting system will provide regular information concerning cash position and investment activity.



## IX. Special Revenue Policies

- A. The City will establish and maintain Special Revenue Funds which will be used to account for the proceeds of *specific revenue sources to finance specified activities* which are required by statute, ordinance, resolution or Executive Order.
  
- B. Special Revenue Funds having annual operating budgets will be reviewed by the City during the budget process.

## X. Accounting, Auditing, and Financial Reporting Policies

- A. The City will establish and maintain a high standard of accounting practices.
- B. The accounting system will maintain records on a basis consistent with accepted standards for local government accounting and the State of Washington B.A.R.S.
- C. Regular monthly and annual financial reports will present a summary of financial activity by major types of funds.
- D. Where possible, the reporting system will also provide monthly information on the total cost of specific services by type of expenditure and, if necessary, by fund.
- E. A Fixed Asset system will be maintained so as to identify all City assets and their condition.
- F. The State Auditor's Office will audit city records annually and will issue a financial opinion.

## **XI. Budget Calendar**

- A. In order to facilitate and implement the budget process, the Mayor will originate an annual budget calendar by the first of February. The calendar will be presented in Resolution form to be accepted by the Council.