

RESOLUTION R -3232

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND
ENDORING FISCAL POLICY GUIDELINES FOR THE CITY OF
KIRKLAND.

Whereas, continued growth and development of the City of Kirkland and its governmental organization over recent years has created the need for formal documentation of the City's fiscal policies; and

Whereas, articulation of past financial practices and current fiscal policies can serve to provide progressive direction and assistance to the City Council, City Manager, and the general public in establishing the City's fundamental fiscal goals and responsibilities, now, therefore

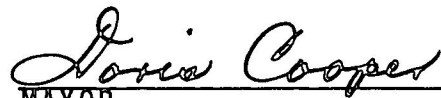
Be it resolved by the City Council of the City of Kirkland as follows:

Section 1. The City Council hereby endorses that certain document entitled "City of Kirkland Fiscal Policies," copy of which is attached to the original of this resolution and by this reference incorporated herein.

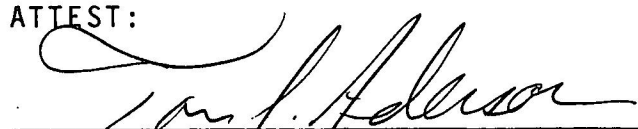
Section 2. Said document shall serve as a fiscal policy guideline for the City of Kirkland. Said document shall be used by the City Manager and the City administration in the conduct of the City's financial operations, except as the City Council may from time to time hereafter direct.

Passed by majority vote of the Kirkland City Council in regular, open meeting this 4th day of November, 1985.

Signed in authentication thereof this 4th day of November, 1985.


MAYOR

ATTEST:


Director of Administration & Finance
(ex officio City Clerk)

CITY OF KIRKLAND
FISCAL POLICIES



123 FIFTH AVENUE · KIRKLAND, WASHINGTON 98033-6189 · (206) 828-1100

October 25, 1985

Honorable Mayor, Members of the City Council, and City Manager

The Department of Administration and Finance is pleased to present the City of Kirkland's Fiscal Policies.

These policies represent considerable effort by the Finance Committee and Department of Administration and Finance to develop and communicate sound guidelines which will ensure the financial prosperity of the City.

The topics addressed by these policies include the primary financial concerns and responsibilities of the City's Administration. They establish the minimum levels of accounting, financial reporting, budgeting and auditing practices to be followed and provide a comprehensive philosophy in the areas of cash management, investments, debt management, reserve funds and capital improvements.

This document is intended to be used as a working tool for both the Council and Administration. It should be critically reviewed and modified periodically to provide the City with progressive financial goals and ensure fiscal accountability.

Sincerely,



Tom Anderson, Director
Administration and Finance

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Revised as of 10/25/85

D R A F T

CITY OF KIRKLAND FISCAL POLICIES

I. BACKGROUND AND PURPOSE

The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of Kirkland. Therefore, the establishment and maintenance of wise fiscal policies enables City officials to protect public interests and ensure public trust. The continued growth and development of the City of Kirkland and its governmental organization over recent years has created the need for formal documentation of the City's Fiscal Policies.

This document incorporates past financial practices in defining the current policies to be used by the City Administration to meet its obligations and operate in a financially prudent manner. These policies have been established to provide general fiscal guidelines and are intended to provide progressive direction to assist the Council, City Manager, and public in establishing the City's fundamental fiscal goals.

II. GENERAL FINANCIAL PHILOSOPHY

To provide a sufficient financial base and the resources necessary to sustain a high level of municipal services, to ensure public safety, maintain the physical infrastructure and surroundings of the City and to promote the social well-being of the citizens of Kirkland.

It shall be the goal of the City to achieve a strong financial condition with the ability to:

1. Withstand local and regional economic impacts;
2. Adjust efficiently to changes in the community's service requirements;
3. Effectively maintain and improve the City's infrastructure.
4. Prudently plan, coordinate, review and implement responsible community development and growth.
5. Provide a high level of police, fire and other protective services to assure public health and safety.

III. OPERATING BUDGET POLICIES

The Municipal Budget is the central financial planning document which embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department and function within the confines of anticipated municipal revenues.

- o The City Council will establish municipal service levels and priorities for the ensuing year prior to and during the development of the preliminary budget.
- o The City Manager will incorporate the Council's priorities in the formulation of the preliminary and final budget proposal.
- o Adequate maintenance and replacement of the City's capital plant and equipment will be provided for in the annual budget.
- o The current fiscal year budget will not be balanced at the expense of future budgets.

IV. REVENUE AND EXPENDITURE POLICIES

Annual revenues are conservatively estimated as a basis for preparation of the annual budget and City service programs.

Expenditures approved by the City Council in the annual budget define the City's spending limits for the upcoming fiscal year. Beyond the requirements of law, the City will maintain an operating philosophy of cost control and responsible financial management.

- ° The City will maintain revenue and expenditure categories according to state statute and administrative regulation.
- ° Current revenues will be sufficient to support current expenditures.
- ° All revenue forecasts will be performed utilizing accepted analytical techniques.
- ° All fees for services shall be reviewed and adjusted (where necessary) at least every two years to ensure that rates are equitable and cover the total cost of service or that percentage of total service cost deemed appropriate by the City.
- ° Revenues of a limited or indefinite term will be used for capital projects or one-time operating expenditures to ensure that no ongoing service program is lost when such revenues are reduced or discontinued.

- 0 Grant applications to fund new service programs with state or federal funds will be reviewed by the City, as they become available, with due consideration being given to whether locally generated revenues will be required to support these programs when outside funding is no longer available.

- 0 The City of Kirkland will establish and maintain Special Revenue Funds which will be used to account for proceeds from specific revenue sources to finance designated activities which are required by statute, ordinance, resolution or executive order.

- 0 Annual expenditures will be maintained within the limitations of annual revenues. The City will not use short-term borrowing to finance current operating needs without full financial analysis and prior approval of the City Council.

- 0 Utility expenditures will be established at a level sufficient to properly maintain the City's utility structure and provide for necessary capital development.

- 0 Each enterprise fund (example: water and sewer funds) will maintain an adequate rate structure to cover the costs of all operations including: maintenance, depreciation, capital and debt service requirements and any other costs deemed necessary.

V. CASH MANAGEMENT AND INVESTMENT POLICIES

Careful financial control of the City's daily operations is an important part of Kirkland's overall fiscal management program. Achieving adequate cash management and investment control requires sound financial planning to ensure that sufficient revenues are available to meet the current expenditures of any one operating period.

Once steps are taken to ensure that the City maintains a protected cash position in its daily operations, it is to the municipality's advantage to prudently invest idle funds until such time as they are required to make expenditures.

- ° An analysis of the City's cash position will be prepared at regular intervals throughout the fiscal year.
- ° Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure City funds.
- ° Sufficient cash shall be maintained to provide adequate funds for current operating expenditures.
- ° The City of Kirkland will select its official banking institution through a formal bidding process in order to provide the City with the most comprehensive, flexible, and cost-effective banking services available.
- ° The City will issue warrants for all budgetary expenditures to provide greater financial control and investment flexibility.

- o The City will invest all funds (in excess of current requirements) in legally authorized securities or investments.
- o Investments with City funds shall not be made for purposes of speculation.
- o *THE CITY WILL OBTAIN THE BEST POSSIBLE RETURN ON ANY CASH INVESTMENTS FOLLOWING PRUDENT INVESTMENT CRITERIA.*
- o A minimum of 95% of the City's idle cash will be invested on a continuous basis.
- o Where permitted, the City will pool its cash resources from various funds for investment purposes.
- o The City will invest all funds (in excess of current requirements) based upon the following order of priority:
1. legality; 2. safety; 3. liquidity and yeild.

VI. ACCOUNTING, FINANCIAL REPORTING AND AUDITING POLICIES

The City of Kirkland will establish and maintain a high standard of accounting practices. Accounting and budgetary systems will, at all times, conform to Generally Accepted Accounting Principles, the State of Washington Budgeting Accounting Reporting System (B.A.R.S.) and local regulations.

- ° A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.
- ° The City will meet the financial reporting standards set by the National Council on Governmental Accounting.
- ° Full disclosure will be provided in all City financial reports and bond representations.
- ° An annual audit will be performed by the State Auditor's Office and include the issuance of a financial opinion.

VII. RESERVE FUND POLICIES

City and State regulations have been established to allow the City of Kirkland to create and maintain specific reserve funds. Prudent use of reserve funds enable the City to defray future costs, take advantage of matching funds, and beneficial (but limited) opportunities. Reserve funds provide the City with the ability to exercise flexible financial planning in developing future capital projects. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition.

- ° A Contingency Reserve Fund shall be maintained to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the time of adopting the annual budget.
- ° All expenditures from the Contingency Reserve shall have the prior approval of the City Council.
- ° An Insurance Reserve shall be maintained at a level which, together with purchased insurance policies, adequately protects the City's capital assets and officials against liability loss.
- ° Special Reserve Funds will be created to provide monies for future expenditures or transfers to other funds.
- ° All expenditures drawn from reserve accounts shall require prior Council approval.

VIII. DEBT MANAGEMENT POLICIES

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of Kirkland views debt in two ways:

1. As a mechanism to equalize the costs of needed improvements to both present and future citizens; and
2. As a mechanism to reduce the costs of substantial public improvements.

0 City Council approval is required prior to the issuance of debt.

0 An analytical review shall be conducted prior to the issuance of debt.

0 The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.

0 The City of Kirkland will not use long-term debt to support current operations.

0 Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.

0 Short-term borrowing will only be used to facilitate generated revenues not yet received by the City.

- 0 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- 0 Noncapital furnishings, supplies, and personnel will not be financed from bond proceeds.
- 0 The City will use refunding bonds where appropriate, when restructuring its current outstanding debt.
- 0 Interest, operating, and/or maintenance expenses will be capitalized only for facilities of enterprise activities and will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- 0 The City will maintain a good credit rating at all times.
- 0 Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- 0 Under normal circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- 0 Revenue bonds shall be issued only when projected operating revenues are insufficient to meet the enterprise's financing needs.
- 0 Every enterprise fund will maintain an adequate rate structure to cover the full cost of its operations including: maintenance, depreciation, capital and debt service requirements.

- 0 The City will insure that net operating revenues constitute a minimum of 1.5 times the annual debt service requirements.
- 0 The City will limit the maturities of all revenue bond issues to 25 years or less.
- 0 General Obligation bonds will be issued with maturities of 20 years or less.
- 0 The voter approved general obligation debt of Kirkland will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- 0 The following individual percentages shall not be exceeded in any specific debt category:
- 1) General Debt - 2.5%
 - 2) Utility Debt - 5%
 - 3) Open Space and Park Facilities - 7.5%
- 0 Limited-tax general obligation bonds will not exceed three-fourths of one percent of the City's current assessed property valuation.
- 0 All accepted alternative methods of financing shall be exhausted prior to the issuance of limited-tax general obligation bonds.
- 0 Limited-tax general obligation bonds will be issued only if:
- 1) A project in progress requires funding not available from alternative sources.
 - 2) Matching fund monies are available which may be lost if not applied for a timely manner.
 - 3) Emergency conditions exist.

IX. CAPITAL IMPROVEMENT POLICIES

Kirkland's city government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid emergencies and major costs in the future.

- ° The City will establish and implement a comprehensive multi-year Capital Improvement Program.
- ° The Capital Improvement Program will be prepared and updated annually.
- ° Financial analysis of future funding sources will be conducted for all proposed capital improvement projects.
- ° An annual Capital Improvement Budget will be developed and adopted by the City Council.

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