

CITY OF PROSSER, WASHINGTON  
RESOLUTION NO. 13-1436

A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF PROSSER, WASHINGTON, ADOPTING FINANCIAL  
POLICIES.

WHEREAS, the City of Prosser is accountable to the citizens for the use of public funds;  
and

WHEREAS, the purpose of these Financial Policies are to ensure that the City is  
financially able to meet its immediate and long term service objectives; and

WHEREAS, the individual policies contained herein serve as guidelines for both  
financial planning and internal financial management of the City; and

WHEREAS, these policies safeguard the fiscal stability required to achieve the City's  
goals and objectives.

NOW, THEREFORE, be it RESOLVED by the City Council of the City of Prosser,  
Washington that the Financial Policies, as set forth on Attachment A are hereby approved and  
adopted, as the Financial Policies of the City of Prosser.

ADOPTED by the City Council of the City of Prosser and APPROVED by the Mayor  
of the City of Prosser this 22<sup>nd</sup> day of October, 2013.

  
MAYOR PAUL WARDEN

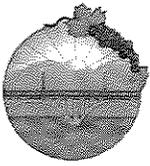
Attest:

  
RACHEL SHAW, CITY CLERK

Approved as to form:

  
HOWARD M. SAXTON, CITY ATTORNEY





# City of Prosser

## Attachment "A"

### Financial Policies

#### I. Purpose, Objectives

#### II. General Budget Policies

- A. No Operating Deficit
- B. Resources Greater than Estimates
- C. Budget Adoption Level
- D. Necessary to Implement City Council Goals Identified in Annual Workplan
- E. Public Safety Protection
- F. Degradation of Current Service Levels
- G. Investments that Forestall Adding Permanent Staff
- H. Commitments that can Reasonably be Maintained over the Long Term
- I. Overhead and Full Cost Allocation
- J. Maintenance of Quality Service Programs
- K. Lapse of Appropriation at end of year
- L. Budget Presentation

#### III. Formulation and Approval of Budgets

#### IV. Budget Adjustment and Amendment Process

- A. Adjustment
- B. Amendment

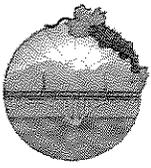
#### V. Reserve and Contingency Fund Policies

- A. General Policy
- B. General Fund Operating Reserves
- C. City Street Fund Reserve
- D. Water Utility Fund Reserve
- E. Sewer Utility Fund Reserve

#### VI. Debt Policy

#### VII. Other Resources:

- A. Civil Emergencies Declared (Ordinance No. 08-2633)
- B. Competitive Bidding Policy (Ordinance No. 04-2489)
- C. Credit Card Policy (Ordinance No. 08-2596)
- D. Emergency Waiver of Competitive Bidding Policy (Ordinance No. 08-2596)
- E. Expense Reimbursement for Mayor & Council including cell phone allowance (Ordinance 0-2662)
- F. Identity Theft Policy (Resolution No. 08-1255)
- G. Investment Policy (Ordinance No. 13-2825)
- H. Purchasing Manual (Resolution No. 02-1140)



# City of Prosser

## I. Purpose:

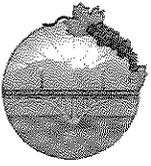
The Financial Policies are tools to ensure that the City is financially able to meet its immediate and long term service objectives. The individual policies contained herein serve as guidelines for both financial planning and internal financial management of the City.

The City of Prosser is accountable to the citizens for the use of public funds. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

## II. GENERAL BUDGET POLICIES

These general budget policies are the basis on which staff develops budget recommendations and establishes funding priorities within the limited revenues the City has available to provide municipal services.

- A. No Operating Deficit: Current revenues will be sufficient to support current expenditures. Revenue estimates will be realistic and debt financing will not be used for current operating expenses.
- B. Resources Greater than Budget Estimates: Resources (fund balance) greater than budget estimates in any fund shall be considered "**one-time**" resources and shall not be used to fund ongoing service delivery programs.
- C. Budget Adoption Level: Budget adoption by the City Council shall be at fund level. Any changes in appropriations at fund level require City Council approval.
- D. Necessary to Implement City Council: The City Council identifies specific goals, and departmental budgets should include adequate resources to accomplish those goals in the expected timeframes.
- E. Public Safety Protection: Public safety is a top priority, and as such, unmet needs in this area should have a priority over other service areas **as set by council**.
- F. Degradation of Current Service Levels: When increased service demands are experienced over a sustained period of time, resources should be provided to prevent service level degradation below an acceptable level.
- G. Investments that Forestall Adding Permanent Staff: Recognizing that personnel related expenditures represent the largest portion of the City's budget, methods to increase efficiency and effectiveness of the delivery of City services through technology improvements should receive priority funding if it can forestall the addition of permanent staff.
- H. Commitments that can Reasonably be Maintained over the Long-Term: Funding for new programs and services in operating funds should be limited to the extent that they can be reasonably funded over the near-to-long-term given the current revenue stream.
- I. Overhead and Full Cost Allocation: Department budgets should be prepared in a manner to reflect the full cost of providing services.
- J. Maintenance of Quality Service Programs: The City will offer quality service programs. If expenditure reductions are necessary as a result of changing economic status, selective service elimination is preferable to poor or marginal quality programs that are caused by across the board cuts.



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## K. Lapse of Appropriation at end of Year:

- Appropriations shall lapse at the end of fiscal year to the extent that they have not been fully expended.
- An appropriation for projects shall continue in force until the purpose for which it is made has been accomplished or abandoned; the purpose of such appropriation shall be deemed abandoned if three years pass without disbursement or encumbrance of the appropriation or by council action.

L. Budget Presentation: The City will seek to comply with the suggested criteria of the Government Finance Officers Association in producing a budget document that meets the Distinguished Budget Presentation program criteria as policy document, as an operations guide, as a financial plan, and as a communication device.

## III. FORMULATION AND APPROVAL OF BUDGETS

In accordance with RCW 35A.33, departments shall be requested by the Finance Director to prepare detailed estimates of revenues and expenditures for the next fiscal year by no later than the second Monday of September. Responses will be due by no later than the fourth Monday in September, and by no later than the first business day in October, the Finance Director will present to the City Administrator a proposed preliminary budget setting forth the complete financial program, showing expenditures requested by each department and sources of revenue by which each program is proposed to be financed.

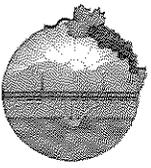
Although the schedule outlined above meets the requirements of the Revised Code of Washington, the budget process usually follows an accelerated time schedule.

By no later than the first Monday in October, the City Administrator will provide the City Council with current information on estimates of revenues from all sources as adopted in the budget for the current year. The City complies with this requirement by providing the City Council with quarterly reports.

The administration will analyze program priorities and needs and recommend funding levels for each program in a proposed operating budget. The City Administrator typically presents the proposed budget to the City Council in late October.

As part of the budget document, a budget message will be prepared that contains the following:

- An explanation of the budget document.
- An outline of the recommended financial policies and programs of the City for the ensuing fiscal year.
- A statement of the relation of the recommended appropriation to such policies and programs.



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- A statement of the reason for salient changes from the previous year in appropriation and revenue items.
- An explanation of any recommended major changes in financial policy.

The operating budget proposal for the general fund will include a financial plan that shows projected revenues and expenditures for at least the next two years fiscal years. The financial plan will provide an explanation of the assumptions used in projecting future year expenditure and revenue levels, such as growth in tax revenues, inflation, cost of services, and other factors that may impact the financial condition of the City.

The operating budget will be classified and segregated according to a standard classification of accounts as prescribed by the State Auditor.

The Council will hold public hearings as required and approve operating and capital budgets prior to the end of the fiscal year in accordance with State law.

#### IV. BUDGET ADJUSTMENT & AMENDMENT PROCESSES

Under the provisions of State law and the City's operating procedures, the operating budget may be adjusted or amended in two different ways. Adjustment of the budget involves a reallocation of existing appropriations and does not change the budget "bottom line."

Amendment of the budget involves an addition to or reduction of existing appropriations.

##### A. Adjustment

The City departmental expenditures and program goals are monitored throughout the year. Certain departments may develop the need for additional expenditure authority to cover unanticipated costs that cannot be absorbed within the budget, while other departments may unexpectedly not require their full budget authorizations.

The Finance Department reviews and analyzes all department and/or fund budgets to determine what adjustments are necessary and whether the adjustments can be made within existing appropriation limits and within the City Council and Departmental goals as provided in the budget. Necessary adjustments are then reviewed with the affected department and/or fund managers. When an adjustment is needed, the Finance staff will look first to savings within the department and then consider budget transfers between departments.

The Finance Director, in conjunction with the Department Directors and the City Administrator, reviews and decides if any specific budget reductions are needed. No City Council action is needed as State law allows budget adjustments to be done administratively and approved by the City Administrator.

As a matter of practice, staff will include any adjustments made between departments with the quarterly financial information provided to the City Council.



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## B. Amendment

Amending the City's budget occurs whenever the requested changes from departments and/or funds will cause the existing appropriation level for the fund to change. This situation generally occurs when the City Council authorizes additional appropriation. This is done by an ordinance that amends the original budget and states the sources of funding for the incremental appropriations within the current budget cycle.

## V. RESERVE AND CONTINGENCY FUND POLICIES

Adequate fund balance and reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition.

### A. General Policy

The City shall maintain reserves required by law, ordinance and/or bond covenants.

All expenditures drawn from reserve accounts shall require prior Council approval unless previously authorized by the City Council for expenditure within the City's annual budget.

If reserves and/or fund balances fall below required levels as set by this policy, the City shall include within its annual budget a plan to restore reserves and/or fund balance to the required levels.

All reserves will be presented in the City's annual budget.

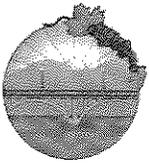
### B. General Fund Operating Reserves

The City shall maintain a Operating Reserves to provide for adequate cash flow, budget contingencies, and insurance reserves. The Operating Reserve Funds will be determined as follows:

#### 1) **General Fund Reserve:**

The City shall maintain a cash flow reserve within the General Fund in an amount equal to 12.5% of operating expenditures. The City will review annually the required reserve level that is necessary to meet the City's cash flow needs. If it is determined that a dollar amount is not adequate, the Finance Director shall propose an amendment to these policies.

*(Note: Current Reserve Balances fall below this level and is a recommendation by the Finance Director to obtain this goal as funding is available.)*



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## 2) Equipment and Vehicle Replacement Reserves

The City will maintain fully funded reserves for the replacement of vehicles, computer equipment, and equipment identified on the City's fixed asset listing.

### C. City Street Fund Reserve

The City shall maintain a cash flow reserve within the City's Street Fund in an amount equal to 12.5% of operating expenditures. The City will review annually the required reserve level that is necessary to meet the City's cash flow needs. If it is determined that dollar amount is not adequate, the Finance Director shall propose an amendment to these policies.

*(Note: Current Reserve Balances fall below this level and is a recommendation by the Finance Director to obtain this goal as funding is available.)*

### D. Water Utility Fund Reserve

The City shall maintain a cash flow reserve within the City's Water Fund in an amount equal to 12.5% of operating expenditures. The City will review annually the required reserve level that is necessary to meet the City's cash flow needs. If it is determined that dollar amount is not adequate, the Finance Director shall propose an amendment to these policies.

*(Note: Current Reserve Balances fall below this level and is a recommendation by the Finance Director to obtain this goal as funding is available.)*

### E. Sewer Utility Fund Reserve

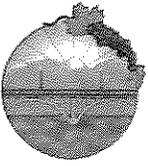
The City shall maintain a cash flow reserve within the City's Sewer Fund in an amount equal to 12.5% of operating expenditures. The City will review annually the required reserve level that is necessary to meet the City's cash flow needs. If it is determined that dollar amount is not adequate, the Finance Director shall propose an amendment to these policies.

*(Note: Current Reserve Balances fall below this level and is a recommendation by the Finance Director to obtain this goal as funding is available.)*

## VI. DEBT POLICY

The Objectives of the City's Debt Management Policy are:

- A. To limit the use of debt so that debt service payments will be a predictable and manageable part of the operating budget.
- B. To raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by:
  1. Keeping a high credit rating (while making attempts to strengthen credit rating).
  2. Maintaining a good reputation in the credit markets by adjusting the capital program for regular entry to the bond market and by managing the annual budget responsibly.
  3. Institute and maintain procedures that ensure full and timely repayment of City obligations.



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## General Debt Policies

Before issuing any debt, the City will consider the impacts of such debt on the operating budget, the effect on the City's credit rating, the debt capacity remaining under constitutional and statutory limitations, the most cost-effective term, structure, and type of debt, and the impact on taxpayers.

Disclosure statements will be used to keep taxpayers and investors informed of the City's financial position. These include printed copies of:

- A. Annual reports
- B. Operating budgets

Debt issues will be sold on a competitive basis (except when conditions make a negotiated sale preferable) and awarded to the bidder who produces the lowest true interest cost.

Debt issues may be sold on a negotiated basis if the issue is unusually large or small, the project is complex, the issue is a refunding, flexibility is desired in the structure, the market is volatile, or other conditions make it in the City's best interest to conduct a negotiated sale.

Long Term Debt: Long term debt will be used to maintain and develop the municipal infrastructure when the economic life of a fixed asset exceeds five years.

Revenue bonds and notes are obligations evidenced in the form of bonds or notes to which repayment is supported by specific revenue sources other than property taxes, such as utility revenues.

General Obligation bonds represent bonded indebtedness to which repayment is supported by the full faith and credit of the government in the form of its taxing ability. General obligation bonds can require voter approval and can be repaid with property taxes levied for such a purpose.

The City may rely on a local improvement district program for certain local or neighborhood street improvements.

The City will use interfund borrowing where such borrowing is cost effective to both the borrowing and the lending fund. Such borrowing shall implement Council directed policy in a simplified manner, such as borrowing associated with interim financing for local improvement district projects.