



INFORMATIONAL MEMORANDUM

TO: Finance & Governance Committee
FROM: Laurel Humphrey, Legislative Analyst
DATE: April 12, 2024
SUBJECT: Resolution updating Financial Policies

ISSUE

The draft resolution contains proposed amendments to the City's Financial Policies.

BACKGROUND

Staff presented the current Financial Policies to the Committee on February 26, 2024. During that discussion staff asked the Committee for support to amend Section 5. "Grants" to require Committee approval of grant applications only in situations where a required local match is unbudgeted. The Committee gave preliminary approval and requested no other changes at that time.

The draft resolution incorporates that amendment as well as other amendments identified by staff to provide clarity and improvements to the document.

RECOMMENDATION

Staff is seeking Committee discussion on the proposed amendments and is asking for a recommendation to the Full Council, which could occur at the May 13, 2024 Committee of the Whole meeting.

ATTACHMENTS

1. Draft Resolution

DRAFT

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, ADOPTING FINANCIAL POLICIES, AND REPEALING RESOLUTION NO. 2014.

WHEREAS, the City Council is committed to the highest standard of financial management; and

WHEREAS, financial policies adopted by the legislative body are a best practice to provide written guidance for how local government officials and staff should approach fiscal issues and core financial areas; and

WHEREAS, financial polices outline a clear vision of how the City of Tukwila will manage its financial resources to provide the best value to the community; and

WHEREAS, periodically updating and revising financial policies are important steps toward ensuring consistent and rational financial management; and

WHEREAS, financial policies have traditionally existed in many different documents and the City Council desires to minimize confusion and eliminate redundancies or conflicts by consolidating financial policy direction to the extent feasible;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The Financial Policies attached hereto as Exhibit A are adopted.

Section 2. The Financial Policies shall be reviewed on at least a biennial basis and updated as necessary.

Section 3. Repealer. Resolution No. 2014 is hereby repealed.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this _____ day of _____, 2024.

ATTEST/AUTHENTICATED:

Andy Youn, CMC, City Clerk

Mohamed Abdi, Council President

APPROVED AS TO FORM BY:

Filed with the City Clerk: _____
Passed by the City Council: _____
Resolution Number: _____

Office of the City Attorney

Attachment: Exhibit A – Financial Policies

Financial Policies

Section 1. Purpose

- a. The City of Tukwila is accountable to the public and shall maintain the fiscal integrity of its operating, debt service, and capital budgets while providing an appropriate level of public services within the City's ~~fiscal responsibility~~[financial capabilities](#).
- b. The City's Financial Policies are intended to provide guidelines for the financial planning and internal financial management of the City.

Section 2. Budgeting

Cross references: TMC Chapter 3.30, [Resolution 1951](#)

- a. The City of Tukwila shall prepare and adopt a biennial budget in accordance with RCW Chapter 35A.34, and Tukwila Municipal Code (TMC) Chapter 3.30. Fiscal years begin January 1 and end December 31.
- b. The budget shall be prepared with a priority-based approach that enables resources to be allocated to the programs and services that provide the greatest value to the community.
- c. The budget must be developed in accordance with the policies and priorities set forth in long-term policy documents including the Equity Policy, Strategic Plan, Comprehensive Plan, City Council and community priorities, and federal and state laws.
- d. Within each budget cycle, the budget should be structurally balanced, which means that ongoing expenditures shall be provided for by anticipated ongoing revenue and one-time revenue should only be used for one-time expenditures unless explicitly authorized by the City Council.
- e. The City shall maintain a six-year Capital Improvement Program and update it with each budget cycle to ensure that all costs [associated with projects](#) are addressed.
- f. As part of each biennial budget process, the City shall prepare six-year expenditure and revenue forecasts for the principal operating and capital funds. Revenues will be estimated on a conservative basis.
- g. The City Council may informally approve mid-year budget amendments by motion prior to the submission of a comprehensive formal budget amendment at the end of the fiscal year.
- h. [The City's employee classification and compensation plan will be maintained in a manner consistent with Council policy, applicable state and federal collective bargaining laws, and valid comparable cities.](#)

Section 3. Revenues

Cross references: TMC Title 3

- a. The City will maintain a diversified and stable revenue system to shelter it from short-term fluctuations.

~~The City shall develop and maintain a comprehensive schedule of fees and charges, which should be reviewed biennially.~~

~~Section 3. Revenues (continued)~~

- b. The City shall develop and maintain a Revenue Guide that describes major revenue sources available to the City of Tukwila.
- c. Revenue sources should be reviewed in off-budget years to account for inflation, to stay in line with market, or to ensure cost recovery at a prescribed level depending on the revenue source.

Section 4. Expenditures

Cross references:

- *Purchasing Policy (Resolution ~~TBD~~ No. 2015)*
- *Procurement Card Policy (Resolution No. 1750)*
- *Expense Reimbursement Policy (Resolution No. 1874)*

- a. The City shall maintain expenditure categories according to state statute and administrative regulation known as the State Auditor's Budgeting, Accounting, and Reporting System (BARS).
- b. Operating expenditures within funds must be supported by the operating revenues generated by that fund.
- c. Purchasing will be conducted with appropriate internal controls, observe fair and ethical business practices, and use wise and prudent judgement in the expenditure of public funds.

Section 5. Grants

Cross references: Grant Policy/Procedure in progress

- a. The City shall, whenever practical and advantageous, pursue grant funding. All potential grants shall be examined carefully for matching requirements, and to determine whether programs must be continued with local resources after grant funds are exhausted.
- b. Staff shall obtain approval from the appropriate City Council Committee before applying for ~~any grants~~ requiring an unbudgeted or previously unidentified local match, and staff shall obtain City Council approval prior to accepting grant agreements in amounts above the Mayor's signing authority.

Section 6. Capital Improvement Program (CIP)

- a. Transportation improvements will be coordinated with related improvements such as utility, landscaping, sidewalks, etc.

- b. Whenever feasible, capital improvements shall be coordinated with related improvements of adjacent jurisdictions.
- c. Capital Improvement Program projects shall, whenever possible, take advantage of grants, loans or other financing external to the City. If the proposed grants or mitigation are either not funded or are reduced, the City Council will reevaluate the respective project on the basis of its value and priority level placement in the Capital Improvement Program.
- ~~c~~.d. General Fund support should not be relied upon for funding capital projects. Grants, and/or dedicated and restricted revenue sources should be utilized prior to seeking General Fund support.
- e. Non-transportation capital projects and improvements should be funded by operating revenues, grants or bonds as determined in the six-year Financial Planning Model.
- ~~d~~.f. Residential streets with safety issues, high traffic volumes, high pedestrian activity and poor roadway conditions will be considered the highest priority projects.
- ~~e~~.g. Residential street designs will follow basic designs for arterials, collectors, and local access streets. Designs to accommodate individual properties shall be avoided.
- ~~f~~.h. Design of connecting streets is strongly encouraged.
- ~~g~~.i. For City-scheduled projects located on residential streets, the City will require the undergrounding of new electrical and communication facilities pursuant to TMC Chapter 11.28.
- ~~h~~.j. Street and road improvement projects on slopes will include roadside plantings wherever feasible to help mitigate the land used for roadway and sidewalk improvements.
- ~~i~~.k. Donation of the property needed for rights-of-way and easements shall be pursued.
- ~~j~~.l. Latecomer agreements, where appropriate, shall be considered an acceptable means of funding capital projects, improvements and replacements, in whole or in part.
- ~~k~~.m. Right-of-way agreements for cable and electrical services should be utilized to discourage excessive wiring throughout the City.
- ~~l~~.n. Current arterial street improvements determined in the six-year CIP may be funded through a Local Improvement District (LID) or financing external to the City. The City may participate using operating revenues, grants or bonds based on health and safety needs or public benefit. The City may participate in the funding by financing the preliminary engineering design and professional service costs associated with planning and creating the LID.
- ~~m~~.o. A majority of property owners on a street may petition the City to set up an LID to pay for residential street improvement projects, sidewalks and undergrounding of utilities. The City will evaluate the possibility of paying for the design, preliminary engineering, construction engineering, and LID formulation.

The residents will pay for undergrounding utilities in the street, undergrounding from the street to their residence, the actual construction costs, and any improvements on private property such as rockeries, paved driveways, or roadside plantings.

~~n.a. Non-transportation capital projects and improvements should be funded by operating revenues, grants or bonds as determined in the six-year Financial Planning Model.~~

e.p. Pursuant to TMC Chapters 3.56 and 3.60, the first 1/4 cent Real Estate Transfer Tax (REET) shall be dedicated to park and open space land acquisition, and the second 1/4 cent shall be used for arterial streets, along with the parking tax, unless the City Council enacts other priorities consistent with state law distribution of REET funds.

p.q. Street and road improvement projects shall be evaluated for the inclusion of features that support the City's [Parks, Recreation and Open Space \(PROS\) Plan and "Walk and Roll Plan" Transportation Element of the Comprehensive plan](#) in order to encourage walking, bicycling, and use of public transit.

q.r. Policies will be reviewed annually and in concert with the adoption of growth management policies to ensure continuity.

f.s. Transportation impact fees shall be collected so that "growth may pay for growth" and growth-caused improvements may be constructed.

Section 7. Enterprise Funds

- a. Utility fund expenditures shall be fully supported by their own rates, fees, and charges and not subsidized by the General Fund.
- b. Utility rates should be structured to ensure adequate infrastructure development and replacement.
- c. Each Enterprise Fund shall be reviewed bi-annually to ensure a rate structure adequate to meet its operations, maintenance, and long-term capital requirements.
- d. Enterprise Fund rate increases shall be small, applied frequently, and staggered to avoid an overly burdensome increase and undue impact in any given year.
- e. Enterprise Fund rate increases of external agencies will be passed through to the customer.
- f. Infrastructure improvements such as water reuse should consider conservation of resources such as water and electricity.

Section 8. Debt

Cross references: Debt Policy (Resolution No. 1840)

- a. Appropriate management of debt is an important factor in measuring the City's financial performance and condition.

Section 9. Reserves

- a. Prudent financial management dictates that some portion of funds available to the City be reserved for future use.
- b. At the close of each fiscal year, the General Fund unassigned balance shall equal or exceed 18% and the Contingency Fund reserve balance shall equal or exceed 10% of the previous year General Fund revenue, exclusive of significant non-operating, non-recurring revenues such as real estate sales or transfers in from other funds.
- c. At the close of each fiscal year, the unrestricted balances of the Enterprise Funds shall equal or exceed 20% of the previous year revenue, exclusive of the effects of GASB Statement 68, as well as significant non-operating, non-recurring revenues such as real estate sales, transfers in from other funds or debt proceeds.
- d. Use or draw down of minimum balances shall occur only upon recommendation of City Administration and approval by City Council through a resolution. Should use or draw down occur, the City Administration shall establish a plan, no later than the end of the fiscal year following the year of decline, to restore the fund balance to the prescribed minimum level. The plan shall be presented to and approved by the City Council.
- e. A One-time Revenue Reserve shall be established and maintained in the Contingency Fund. The One-time Revenue Reserve shall be credited annually with 10% of the prior year one-time revenues to the extent General Fund surplus for the year is sufficient to cover the reserve funding. Use of the reserve shall occur only upon recommendation by City Administration and approval by City Council resolution.
- f. The City shall maintain a reserve in each of its self-insured health care funds in an amount equal to 1.5 times, or 150%, of the actuarially determined IBNR (incurred but not reported) balance. Use of the reserve shall occur only upon recommendation by City Administration and approval by City Council resolution.

Section 10. Investments

(Cross references: TMC 3.28, Resolution [No. 18287](#))

- a. The City will strive to maximize the return on its investments with the primary objective of preserving capital in accordance with city policy and prudent investment practices.

Section 11. Minimum Reporting Requirements

- a. The Finance Director shall provide a financial status update at least quarterly.
- b. City Administration shall provide the City Council with financial reports that reflect actual performance in various expenditures and revenues.
- c. City Administration shall provide the City Council with a quarterly report of all newly-executed contracts, including the amount, responsible department, scope of work, and expiration date.
- d. Once the annual audit is complete, City Administration shall provide a report to the City Council showing compliance with the Financial Reserve Policy.