

**CITY OF WEST RICHLAND
RESOLUTION NO 24-19**

**A RESOLUTION ADOPTING FINANCIAL MANAGEMENT POLICIES FOR
THE CITY OF WEST RICHLAND, WASHINGTON**

WHEREAS, the stewardship of public funds is one of the most important responsibilities vested upon public officials;

WHEREAS, the establishment and maintenance of prudent financial policies enables public officials to protect the public's interest and ensure the public's trust;

WHEREAS, the City Financial Department has developed financial policies that provide guidelines for elected officials and West Richland employees when conducting the financial affairs of the City; and

WHEREAS, the Financial Management Policies have the following objectives for the City's fiscal performance: to set forth operating principals that minimize financial risk; to employ balanced and fair revenue policies that provide adequate funding for desired programs; to maintain appropriate financial capacity for present and future needs; to promote sound financial management by providing accurate and timely information on the City's financial condition; and to ensure the legal use of financial resources through an effective system of internal controls.

NOW, THEREFORE, be it resolved by the City Council of the City of West Richland, Washington as follows:

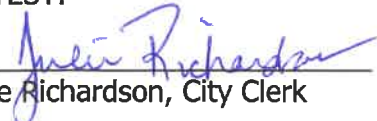
Section 1. Financial Management Policies Amended. The document entitled "City of West Richland Financial Management Policies" is hereby amended and attached hereto as Exhibit A.

Section 2. Effective Date. This Resolution shall become effective immediately upon passage by the West Richland City Council.

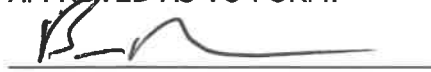
**PASSED BY THE CITY COUNCIL OF THE CITY OF WEST RICHLAND,
WASHINGTON**, this 16th day of July, 2019.


Brent Gerry, Mayor

ATTEST:


Julie Richardson, City Clerk

APPROVED AS TO FORM:


Bronson Brown, City Attorney



FINANCIAL MANAGEMENT POLICIES

Adopted by Resolution No. 19-12
July 17, 2012

Amended by Resolution No. 24-19
July 16, 2019

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City of West Richland Financial Management Policies

INTRODUCTION

Purpose

This manual establishes and provides written documentation of the policies used by the City of West Richland employees and elected officials in conducting the fiscal affairs of the City.

The City of West Richland is accountable to its citizens for the use of public dollars. Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

Objectives

In order to achieve its purpose, the Financial Management Policies have the following objectives for the City's fiscal performance.

- A. To guide City Council and management policy decisions that have significant fiscal impact.
- B. To set forth operating principles that minimize the cost of government and financial risk.
- C. To employ balanced and fair revenue policies that provide adequate funding for desired programs.
- D. To maintain appropriate financial capacity for present and future needs.
- E. To promote sound financial management by providing accurate and timely information on the City's financial condition.
- F. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's debt obligations on all municipal debt.
- G. To ensure the legal use of financial resources through an effective system of internal controls.
- H. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.

BUDGET

Financial Planning

The City shall develop and maintain a six-year Financial Forecast that estimates resources and expenditure behavior for the two bienniums beyond the current budget period. This Forecast will provide the City's decision-makers with an indication of the long-term fiscal impact of current policies and decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City's resources. To this end, the Forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning should ensure the delivery of needed services by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

Utility Funds – Rate Projection Policies

- Utility rate studies should be conducted at least every six years to update assumptions and ensure the long-term solvency and viability of the City's utilities.
- Utility rate review should be reviewed annually and necessary adjustments made to reflect inflation, construction needs, and to avoid major increases.
- Rates should be adequate to ensure utility funds are financially secure and able to meet the demand for services. Net revenues in excess of both legal requirements and minimum working cash balances should be used to minimize future rate increases by funding planned capital projects, retiring high cost debt, and augmenting reserves established to reduce ratepayer risk.

General Budget Policies

The 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 embodies the City Council's collective prioritization of service delivery options.

Budget Preparation: Department directors have primary responsibility for formulating budget proposals in line with Mayor and City Council priority direction, and for implementing them once they are approved. The Finance Department is responsible for coordinating the overall preparation and administration of the City's biennial budget. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices. The Finance Department assists

department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

Public Hearings: The City Council will hold three public hearings on the budget. The first two should be held sufficiently early in the budget process to allow citizens to influence budget decisions and to allow the Council to indicate special priorities before City staff develops a preliminary budget recommendation. The third and final public hearing should be held shortly after the preliminary budget's initial presentation to the Council and before the Council's final budget deliberations. If deemed necessary, additional public hearings may be conducted.

Overhead and Full Cost Allocation: Department budgets should be prepared in a manner to reflect the full cost of providing services.

Examination of Existing Base Budget: During each biennial budget development process, the existing base budget will be thoroughly examined to assure removal or reduction of any services that could be eliminated or reduced in cost.

Services to Keep Pace With Needs of Community: The City will strive to ensure that City service priorities keep pace with the dynamic needs of the community by incorporating a service needs review as part of the budget process.

Maintenance of Quality Service Programs: Quality service programs will be offered by the City of West Richland. If expenditure reductions are necessary, service elimination is preferable to poor or marginal quality programs.

Budget Monitoring: The Finance Department will maintain a system for monitoring the City's budget performance. This system will provide the City Council with quarterly presentations regarding fund level resource collections and department level expenditures. Included will be provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes. Budget amendments requiring City Council approval will occur through a process coordinated by the Finance Department. Significant financial issues that need to be addressed between regular monitoring reports will be provided to Council as warranted.

Program Budget Presentation Format: The focus of the City's biennial budget presentation is directed at displaying the City's service plans in a Council and constituent-friendly format.

Distinguished Budget Presentation: The City should seek to obtain the Government Finance Officers Association Distinguished Budget Presentation Award for each biennial budget. The Budget will be presented in a way that clearly communicates the budget to members of the public.

State Mandated Budget Requirements

Washington State law (RCW 35A.34) specifies requirements that must be followed in budgeting each of the City's funds. The following summarizes the key areas covered in Washington State law:

Key Requirements:

1. The timing, process, and responsibility for each step.
2. A standard account classification system prescribed by the State Auditor.
3. Preparation and filing of a preliminary budget by the chief administrative officer.
4. A "budget message" from the chief administrative officer explaining the content, financial policies, and major proposed changes.
5. A public hearing on the proposed preliminary budget conducted before adoption of a final budget, which shall be held on or before the first Monday in December.
6. Limitations on the expenditure of City funds and procedures for amending the budget.
7. Quarterly reporting to the City's legislative authority on the revenue and expenditure status of each fund.

ACCOUNTING AND FINANCIAL REPORTING POLICY

Accounting and Financial Reporting

The City of West Richland recognizes the need for ensuring accountability for the collection, management, and expenditure of all public funds under its jurisdiction. To this end, a basic City accounting system and policy has evolved with a number of critical objectives including:

- Accountability for money and property under control of the City;
- Compliance with governing laws, ordinances, and procedures;
- Providing timely and accurate information on the financial status of the City;
- Maintaining financial systems to monitor expenditures, revenues, and performance of all municipal programs; and
- Reporting and providing information to City officials, City Council, and taxpayers.

To further these objectives, the following policies are adopted:

1. The City of West Richland will establish and maintain a high standard of accounting practices. The City uses the cash basis of accounting which is a departure from Generally Accepted Accounting Principles (GAAP).
2. The City will maintain expenditure categories according to state statute and administrative regulation. The City will use the Budgeting, Accounting and Reporting System (BARS) prescribed by the State Auditor for its revenue and expenditure classifications.
3. A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.
4. The City will meet the financial reporting standards set by the Governmental Accounting Standards Board (GASB).
5. Full disclosure will be provided in all City financial reports and bond representations.

The Annual Financial Report will be prepared and submitted to the State Auditor's Office no later than 150 days from the end of the preceding fiscal year. The Annual Financial Report will be prepared on the basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor, which is a comprehensive basis of accounting

other than Generally Accepted Accounting Principles. The report will provide full disclosure of all financial activities and related matters.

6. Quarterly financial reports showing the current status of revenues and expenditures will be prepared and distributed to the mayor, council and management in a timely manner and made available for public inspection.
7. Monthly financial updates will be presented to the mayor, finance committee, and management.
8. An annual audit will be performed by the State Auditor's Office to include the issuance of a financial opinion.

GENERAL REVENUE POLICIES

1. The City will strive 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.
2. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic activities, revenue estimates provided to the City Council shall be conservative.
3. The City will estimate its annual revenues by an objective, analytical process using best practices as defined by the Government Finance Officers Association.
4. The Finance Department will project revenues for the two bienniums beyond the current budget period and will update this projection annually.
5. The City will charge user fees for various services when it is appropriate and permitted by law. Unless set by RCW, user fees and charges will be established and maintained at the discretion of the City Council. It is the policy of the City Council that fees will generally be set at a level related to the cost of providing the services. The City will review user fees at least every three years to adjust for the effects of inflation and other factors as appropriate.
6. The City will set fees and user charges for each enterprise fund, at a level that fully supports the total direct and indirect cost of the activity. The proposed rates shall also take into account debt service coverage commitments made by the City and capital reserve for the particular enterprise fund.

CASH MANAGEMENT AND INVESTMENT POLICIES

Careful financial control of the City's daily operations is an important part of the City'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.

1. Cash and Investment programs will be maintained in accordance with City regulations and will ensure that proper controls and safeguards are maintained.
2. The City will maintain written guidelines on cash handling and other financial matters.
3. Monthly reports will be prepared showing cash position and year-to-date budgeted and actual expenditures.
4. The City will conduct annual reviews of its internal controls and cash handling procedures.
5. The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies (see Resolution No. 25-07 defining the City's formal investment policy).
6. The City will invest funds (in excess of current requirements) based upon the following order of priority: 1) Safety; 2) Liquidity; and 3) Return on Investment.

All investments of the City of West Richland must be made in compliance with Federal and State law and in accordance with applicable legal interpretations. Funds of the City will be invested in accordance with the current version of the Revised Code of Washington (RCW), the BARS manual, these policies and written administrative procedures. The City of West Richland is empowered to invest in certain types of securities as detailed in RCW 35A.40.050 and RCW 35.39.030. Among these authorized investments are:

1. Investment deposits, including certificates of deposit, with qualified depositories;
2. Certificate notes or bonds of the United States or any other obligations of the United States or its agencies or any corporation wholly owned or sponsored by the government of the United States;
3. Bonds or warrants or obligations of the state;
4. General obligation or utility revenue bonds or warrants of the City or any other City in the state;
5. Bonds, warrants, or obligations of any of the City's local improvement districts;

6. Washington State Local Government Investment Pool (LGIP).

- Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure city funds.
- It is the policy of the City to diversify the investment portfolio to the extent necessary to maximize the return on investment while minimizing the risk of loss and to retain sufficient liquidity to meet cash flow obligations.
- An analysis of the City's cash position will be prepared at regular intervals throughout the fiscal year.
- The Finance Department will routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments. Securities will be bought and sold to obtain market yield through both transaction gains and interest earnings when the option is available.
- The Finance Director is the Investment Officer of the City of West Richland and is authorized to invest City funds in accordance with Resolution No. 25-07. The Finance Director or designee may buy and sell investments between funds to meet monthly cash flow requirements.
- Sufficient cash shall be maintained to provide adequate funds for current operating expenditures.
- The City of West Richland 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.

GENERAL EXPENDITURE POLICIES

Identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

1. Expenditures approved by the City Council define the City's spending limits for biennium. The City will maintain an operating philosophy of cost control and responsible financial management.
2. Budgeted expenditures will be maintained within the limitations of revenues.
3. The City will maintain expenditure categories according to state statute and administrative regulation.
4. 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.
5. The City will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, or fee increases. The City Council may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
6. Long-term debt or bond financing shall not be used to finance current operating expenditures.
7. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The City will invest in technology and other efficiency tools to maximize productivity. The City will hire additional staff only after the need for such positions has been demonstrated and documented.
8. All compensation planning and collective bargaining will focus on the total cost of compensation which includes direct salary, health care benefits, retirement contributions, and other benefits which are a cost to the City.

9. Periodic comparisons of service delivery will be made to ensure that quality services are provided to the citizens of West Richland at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective by the Mayor shall be reduced in scope or eliminated.

DEBT MANAGEMENT

Debt Management

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.

The basic objectives of the City's debt management policies are to:

1. Achieve the lowest possible cost of borrowing.
2. Ensure access to capital markets to adequately provide the long-term financial needs of the City.
3. Be received by the markets as a strong and sound credit which has fully demonstrated its commitment to meet all obligations in a timely fashion.
4. Monitor and control capital spending in such a way that capital market entry can be planned.
5. Maintain a level and structure of outstanding indebtedness that does not lead to erratic and excessive debt service requirements, thereby avoiding unnecessary strain on the operating budgets.
6. To smooth the use of debt so that debt service payments will be predictable and a manageable part of the operating budget.

The following debt guidelines are established to provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues:

1. City Council approval is required prior to the issuance of debt.
2. The City will use the services of certified and credible legal counsel and underwriting firms in the preparation of all long-term debt representations.
3. The term of the debt shall never extend beyond the useful life of the improvements to be financed.

4. The City will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements. In no case will the City lease purchase equipment whose useful life is less than the term of the lease.
5. The City will not use long-term debt to pay for current operations. The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.
6. Long-term borrowing should only be used for capital improvements that cannot be financed from current revenues.
7. Short-term borrowing should only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
8. The City will comply with all statutory debt limitations imposed by the Revised Code of Washington (RCW). The City of West Richland debt will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.

The following individual percentages (as defined in state law) shall not be exceeded in any specific debt category:

General Debt 2.5% of assessed valuation

Utility Debt 2.5% of assessed valuation

Open Space and Park Facilities 2.5% of assessed valuation

9. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds.
10. Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.
11. The City will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The City will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.

Continuing Disclosure Requirements

The City will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the SEC Rule 15c2-12. The Finance Director (or his/her designee) shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Finance Director is responsible for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies. The City may also employ the services of firms that improve the availability of or supplement the City's EMMA filings. In addition to annual disclosure, the City shall provide ongoing information about certain enumerated events, as defined by regulation. For securities issues on or after February 27, 2019 in accordance with SEC Rule 15c2-12, the City will:

- Disclose additional information about material financial obligations (e.g., guarantees, capital leases, and bank loans) for securities entered into after the effective date; and
- Make event filings of any material changes reflecting financial difficulties should any occur to outstanding or new financial obligations.

The City will provide full and complete financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information using the appropriate channels, policies, and procedures.

GRANTS

Intergovernmental Revenues

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

1. Grants and Financial Planning.

In the City's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources.

2. Grant Agreements Reviewed for Compliance with Regulations.

All grant agreements will be reviewed by the appropriate City staff, including the Finance Department, and sponsoring department, to ensure compliance with state, federal, and City regulations.

3. Budgeting for Grant Expenditures.

The City will budget expenditures for grant-funded programs only after grant award or letter of commitment, and only for the amount of the grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.

4. Protecting the City's Interests.

The City will aggressively oppose state or federal actions that mandate expenditures that the City Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

Accounting for Grants

Grants will be accounted for according to standards listed in the manual for Budgeting, Accounting, and Reporting System (BARS) as issued by the Washington State Auditor's Office.

Grants will be reported according to standards for Schedule 16 – Expenditures of Federal Awards and State/Local Financial Assistance as detailed in the manual for

Budgeting, Accounting, and Reporting System (BARS) as issued by the Washington State Auditor's Office.

CAPITAL IMPROVEMENT PLAN (CIP) POLICIES

The City of West Richland's government is accountable for considerable investment in buildings, utilities, parks, roads, 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 Capital Improvement Plan (CIP) provides a multi-year list of proposed major capital expenditures for the City. This plan attempts to set funding strategies not only for the current year, but also to project future needs for major construction, land acquisition and equipment needs that improve the quality of life for the citizens of West Richland. Capital facilities planning is now subject to the State of Washington Growth Management Act of 1990 (GMA). The GMA requires communities to adopt comprehensive plans designed to guide the orderly development of growth. This requirement includes, among other items, a minimum six-year plan showing projected sources for proposed new or improved capital facilities.

In addition to meeting GMA requirements, the City's Capital Improvement Program provides several advantages inherent with capital planning including: focusing the community and City Council's attention on priority goals; providing a framework for decisions about community growth and development; promoting a more efficient government operation; and enhancing opportunities for outside financial assistance. The CIP lists each proposed capital project to be undertaken, the year in which it will be started, and the proposed method of financing these expenditures. Projects included in the plan are generally those that involve totally new physical construction, reconstruction designed to gradually and systematically replace an existing system on a piecemeal basis, replacement of major component of an existing facility, or acquisitions of land or structures.

Flexibility is built into the CIP to allow for delay of projects when financing constraints make it impossible to allow for funding the entire array of proposed projects. The CIP is updated annually to make needed adjustments.

RESERVE FUND POLICIES

Adequate 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. Prudent use of reserve funds enable the City to defray future costs, take advantage of matching funds, and other 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. The City shall strive to maintain adequate reserves in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies.

Cumulative Reserve Fund

The Cumulative Reserve Fund was created for general governmental purposes. The monies deposited in the cumulative reserve fund for general governmental purposes shall be allowed to accumulate from year to year.

The monies may be expended from time to time as the City Council shall direct, but only for certain specific municipal purposes as follows:

1. The purchase of supplies and materials or equipment;
2. The payment of salaries or wages to city employees;
3. The acquisition of real property for any municipal purpose;
4. The payment of general governmental expenditures;
5. The making of any public improvement;
6. The investigations and studies in connection with any public improvements or other municipal purpose; and
7. The matching of federal or state funds for any of the foregoing or any other municipal purpose.

General Fund

The City's goal shall be to maintain a General Fund ending balance of at least 22 percent of budgeted General Fund revenues. These reserves shall be created and maintained to:

1. Provide sufficient cash flow to meet daily financial needs.
2. Sustain City services in the event of a catastrophic event such as a natural disaster or a major downturn in the economy.

Utility Fund Reserve Policies – Water/Sewer, Irrigation, Storm Water, and Solid Waste

The City's goal for the utility funds (Water/Sewer, Irrigation, Storm Water, and Solid Waste) is to maintain a cash reserve equal to two months of operation and maintenance including annual debt service obligations. Emergency funds should be maintained for each utility fund to enable the City to deal with unforeseen emergencies. Sufficient equipment reserves should also be maintained for the replacement of capital equipment.

ASSET POLICY

Policy

It is the policy of the City to assure that assets owned by the City are accounted for and reported accurately and properly and to control all assets whether fixed or attractive. The control will meet the standards of governmental accounting principles, which are recommended by the Washington State Auditor's Office and further will meet the recommended practices of the Government Finance Officers Association.

Reference

Washington State Auditor's Office. *Budgeting and Reporting System (BARS), Part 3, Chapter 7.*

Government Finance Officers Association. *Recommended Practices for State and Local Governments.*

Definitions

Assets – All land, buildings, improvements, works of art and historic collections and equipment purchased, donated, or acquired through a grant to the City.

Attractive Assets – Equipment that is determined to be at-risk and valued below the capital asset threshold of \$5,000 but more than \$299. Attractive assets may include electronic devices, computers, computer peripherals and printers; appliances; weapons; and any other piece of equipment defined by the department director in control to be at-risk.

Control – Being in charge of, and having the authority to manage the asset; having the custodial responsibility of the asset that includes, but is not limited to the caring, keeping, safekeeping and protecting the asset.

Fixed Assets – Land of any value, buildings, improvements other than buildings, artwork and historic collections of any value, or any piece of equipment that is purchased or gifted to the City with a value of \$5,000 or more and has a useful life of one or more years from the date of acquisition.

Procedures

Fixed or attractive assets will bear an identifying adhesive tag or inscription noting the City's name and a unique asset number. On occasion, it will be impractical or impossible to mark assets using these methods. In those cases, an alternative

procedure may be applied (vehicle identification number, serial number, parcel number, etc.).

All fixed and attractive assets will be recorded and tracked in a database managed by the Finance Department.

When a fixed or attractive asset is relocated to another department, the department relinquishing the item will inform the Finance Department.

Fixed or attractive assets cannot be traded, sold, auctioned, gifted, surplused, or junked without authorization from the Finance Department.

Annually each department director will receive an inventory listing of all fixed and attractive assets under their control.

The director should appoint an individual to update the inventory listing. The individual performing the physical inventory should have no direct responsibility for custody, receipt, or issue authority for the assets.

Any discrepancy between the physical inventory and the inventory listing will be reported and explained in writing. If items shown on the listing cannot be located, the department director should be notified. If a subsequent search fails to locate the item, the individual performing the inventory and the department director in control will complete and sign a statement providing a description of the events surrounding the disappearance of the property, who was notified, and what steps were taken to locate the property. Known or suspected losses of assets should be reported to the State Auditor's Office in accordance with RCW 43.09.185. Lost or stolen property will be removed from the inventory and accounting records where applicable.

The director will retain one copy of the updated inventory listing and forward the original to the Finance Department.

Disposal of Surplus City Assets

This policy applies to the disposal of surplus City property.

1. Council Determines Surplus.

Assets of the City that are no longer useable, are no longer of value to the City, or are surplus to the City's needs may not be removed from City ownership, sold, or in any other way disposed without a declaration by the City Council.

2. Reassignment of Assets.

When a City department makes a determination that an asset is surplus to its needs, notification shall be made to the Mayor's designee. Prior to bringing the item to the City Council for a declaration of surplus, the first option will be to reassign the asset within the City where it can be of use or value.

3. Minimum Requirements.

If it is not possible to be reassigned, the Mayor's designee shall prepare the asset for a determination by the City Council. Each asset requiring a declaration of surplus must have a value assigned and a recommended method of disposal.

Primary methods of disposal to the general public are recognized as direct sale, sealed bid, trade-in or auction. Other methods of disposal to the general public must be clearly detailed in writing and must have the consent of the City Council.

The City Council may transfer a surplus asset to another public agency upon written request and a determination that it is in the public interest to do so. Such request shall specify the asset and the inability of the agency to otherwise afford to buy it. The City Council may elect to trade assets, authorize the Mayor or designee to negotiate payment or transfer it without compensation.

4. Additional Requirements, Assets over \$50,000; Utility Assets.

If the asset proposed as surplus is evidence released by the Court, seized assets or unclaimed property, the Mayor's designee shall review the appropriate statutes prior to asking the City Council to declare it surplus. If the value of the asset is estimated to be more than \$50,000, and if the sale or conveyance is to another governmental entity, the provisions of Section 39.33.020 RCW shall apply. This includes several requirements, including a public hearing and certain notice provisions. If the asset was originally purchased for utility purposes, the provisions of Section 35.94.040 shall apply. This includes several requirements, including a resolution and public hearing.

5. Prohibited Benefit; Delegation of Authority.

It is recognized that City Council members are prohibited by state law from benefiting from the disposal of public assets of the City. The City Council may elect to delegate the task of declaring items surplus to the Mayor or Mayor's designee by amending or adding to this policy and identifying the conditions thereof within this policy. If such a delegation is made, the prohibition of

benefiting from the disposal of public assets is extended to the Mayor, if the Mayor is delegated, or the Mayor and Mayor's designee if the Mayor's designee is delegated.

TRANSFERS OF PROPERTY BETWEEN FUNDS

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. The following rules are intended to clarify the application of this statute.

1. Transfer of Assets between Governmental Funds.

The transfer of capital assets between two governmental funds of the same entity should be accounted for merely as a change of location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the Department Director.

2. Transfer of Capital Assets to an Enterprise Fund.

The transfer of capital assets to an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general fund at the discretion of legislative body.

The transfer of capital assets to an internal service fund must be approved by the entity's legislative body.