PP-95-001

Shoreline City Clerk
Receiving Number
3965

RESOLUTION NO. 37

A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON ESTABLISHING FINANCIAL POLICIES REGARDING BUDGETING, DEBT MANAGEMENT, ACCOUNTING, FINANCIAL REPORTING, INVESTMENTS, FIXED ASSET MANAGEMENT AND PURCHASING

WHEREAS, the City Council wishes to provide excellent financial management of the City's funds; and

WHEREAS, the City Council wishes to set out guidelines for the City Manager in the administration of City funds; and

WHEREAS, a comprehensive set of financial policies provides a solid foundation to meet the City's needs; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE WASHINGTON, AS FOLLOWS:

Section 1. The City Council hereby establishes Financial Policies in one document related to budgeting, debt management, accounting, financial reporting, investments, fixed asset management and purchasing, a copy of which has been filed with the City Clerk and identified with Clerk's Receiving No. 024.

ADOPTED BY THE CITY COUNCIL ON JULY 31, 1995

Connie King
Mayor Connie King

ATTEST:

Marie K. O'Connell
Marie K. O'Connell, CMC
Interim City Clerk

Clerk's Receiving
No. 024
Date 1/6/95
Res. 5

CITY OF SHORELINE, WASHINGTON

FINANCIAL MANAGEMENT POLICIES

TABLE OF CONTENTS

General Financial Policies. 1

Budgeting. 7

Accounting and Financial Reporting. 10

Investments. 13

Fixed Assets Management. 18

Purchasing. 19

Grant + Loan end

EXECUTIVE SUMMARY

The importance of sound financial management makes it desirable for a city to establish goals and targets for its financial operations, so that policies will be consistent and complete, and performance can be monitored on an ongoing basis. Because a fiscally sound city government is in the best interests of the citizens of the City of Shoreline, this Financial Management Policy Statement has been adopted as the guiding management principles which are to be applied in the management of the City's finances.

GENERAL FINANCIAL POLICIES

I. BUDGETING POLICY

Budget practice for the City will conform to the following policies:

- Budgets will be formulated and approved according to the following procedural guidelines:

  The administration decides on programmatic need and recommends funding levels.

  The Capital Facilities Plan (CFP) is submitted 90 days, and the operating budget presented 60 days prior to the end of the fiscal year.

  By State law, the Council must approve the operating budget with a capital budget element, prior to the end of the fiscal year.

- The capital budget is submitted on a functional six-year basis, to be updated annually.

- The operating budget is presented at a fund level and shall be adopted annually.

Performance monitoring of the operating budget will include:

- Forecast statements for each budget program.

- A "work measurement system" which compares the costs and benefits for each funded activity.

- An accounting system which ensures that actual operating expenditures conform to the budget.

Capital Budgeting Policies and Procedures:

- Projects will be funded by a combination of bond proceeds, grants, leases, and operating or capital funds

- Planning for capital projects will include a six-year plan called the Capital Facilities Plan which must be updated annually and must include a statement of projected costs and sources of funds.

- Capital projects must meet the following criteria:

  If debt funded, the term of the debt should not exceed the useful life of the project.

  Capital projects should be built according to specifications which enable them to be self-sustaining whenever possible.

  Long term debt should be funded through revenue bond issue whenever feasible, to maximize the general obligation debt limitation.

Six-year budget projections will be prepared and updated annually and will include any expected changes in revenues or expenditures.

II. REVENUE STRUCTURE

The City currently receives revenues through Federal and State grants, and local taxes and fees. To achieve the most desirable flow of revenues, planning must be undertaken as follows.

Tax policy must try to avoid:

- Over-reliance on property taxes.

- Adverse effects of excessively heavy taxes.

- Disproportionate burdens levied on any particular taxpayer group.

Structuring of taxes should attempt to:

- Provide a stable and predictable stream of revenue to fund City programs.

- Make collection of revenues simple and reliable.

- Retain/promote business (industry).

When revenues are increased, the following administrative practices will be pursued:

- User fees on certain activities chosen so low-income families do not bear heavy costs.

- Service fees on activities where either raising revenues or limiting demand would prove beneficial.

- A cash-management system which obtains maximum interest income within State guidelines.

III. DEBT MANAGEMENT

The Objectives of the City's Debt Management Policy will be:

- To smooth the use of debt so that debt service payments will be a predictable and manageable part of the operating budget.

- To raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by:

  Keeping a high credit rating (while making attempts to strengthen credit rating).

  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.

Debt instruments the City can use are:

- Short Term Debt

  Short term debt will not be issued for operating purposes nor will it be rolled over (except for Bond Anticipation Notes - BANs) from one period to another.

  Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs) can be issued in amounts up to 60% of expected appropriations and must mature within the fiscal year.

BANs can be issued with a maximum three year maturity and can be rolled over when interest rates make short term. debt preferable. BANs cannot be used to extend the life of a bond.

GANs (Grant Anticipation Notes) can be used when grant reimbursement for a project lags behind the payment schedule for large construction costs.

- 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 will generally be used for projects which are financially self-sustaining.

- General Obligation bonds can be used to finance public works which benefit the community and have revenues insufficient to amortize the debt.

- General Obligation pledges can be used to back self-sustaining projects financed through revenue bonds when costs can be reduced and the municipal credit rating is not put in jeopardy by this action.

Debt Issuance Policy will ensure that:

- An attempt to enter the market with a smooth or regularized volume and frequency as much as possible;

- Advantages be taken of favorable market conditions;

- The timing of revenue bonds considers project, market, and General Obligation factors;

- The municipal credit rating is kept high.

The credit rating component of debt issuance will be strengthened by keeping assessments current.

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

- Annual reports

- Operating budget and Capital Facilities Plan

- Official Statements

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 interest cost. Revenue bonds can be issued through a negotiated sale when the issue is unusually large, the project is speculative or complex, the issue is a refunding, or the market is unstable.

The City will continue to rely on a strong local improvement district program for certain local or neighborhood street, water and sewer; 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.

IV. ACCOUNTING AND FINANCIAL REPORTING

The objectives of a System for Accounting and Financial Reporting are:

- To maintain the confidence of the Council, tax payers, and investors providing information which demonstrates that:

  Money and property are handled responsibly, the current financial position is fully disclosed and activities are operating at a maximum level of efficiency.

  Financial performance conforms to all laws, ordinances, and procedures.

- To maintain financial control in order that:

  Managers have an information system to use for policy setting, decision making, and program supervision.

  Municipal activities can monitor their revenues, expenditures, and performance levels.

  Forecasts can be made of future operating and capital budgets, and of future initiatives in taxing policy.

The standards to be followed by the System of Accounting and Financial Reporting fall into the following areas:

- Accounting and Auditing:

  Procedures will allow reporting per Budget and Accounting Reporting System (BARS) and follow Generally Accepted Accounted Principles (GAAP).

  Recording will be on a modified accrual basis for revenues and expenditures.

  New procedures will be developed whenever they can contribute to the quality of timely information flows.

- Financial Reporting:

  BARS, NCGA revised standards and GFOA reporting principles will be followed.

  Reports will be organized in pyramidal form: at the top, a streamlined Annual Report; then an overview of financial position; and results of operations categorized by fund accounts.

  These reports will be used to promote the City's good financial profile.

- Manuals:

  BARS manuals will codify procedures, be used by accounting personnel and City Officials, and specify the source of data for each account. They will be maintained by the Accounting Office of Administrative Services.

  Policy and procedure manuals will be maintained with information.

The City will develop a program to evaluate it financial condition and establish a system for correcting any deficiencies noted.

V. INVESTMENTS

The policy on investments applies to the investment of all City funds excluding pension funds or trust accounts. The investment program is intended to provide maximum return and adequate liquidity to meet cash flow requirements. The minimum requirement for liquidity for operating funds is twenty-five percent (25%) of the estimated annual operating budget revenues.

The City may invest in any of the securities identified as eligible investments as defined by RCW 35A.40.050. In general these include: Certificates of Deposit, United States Securities, Bankers' Acceptances, Repurchase Agreements and Certificates, and Notes and Bonds of the State of Washington. Speculative investments are not allowed.

All investments shall be made through an informal bidding process. The policy shall be to assure no single institution or security is invested into, to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.

I. BUDGETING

According to standard textbook definition, budgeting is the process of allocating scarce resources to competing demands. A more realistic definition is that the budget becomes a line between resources and human behavior to accomplish policy objectives. Each of the three elements -- financial resources, human behavior, and policy objectives -- must be evaluated in designing a budget system and process as well as in defining policies which will control the budget.

Either explicitly or implicitly, every budget requires the people responsible for running the City Administration to evaluate existing resources, mandates and service requirements, and balance them against existing revenue availability. The threshold question should be, "How much government can our area afford?" Too much government or one too expensive will be counterproductive in that people and businesses will move away.

The companion decision must be, "How much of what kinds of services would we provide?" Just as high taxes are counterproductive, so are inadequate parks and recreation programs, high crime rates, poor water service, and inadequate fire protection. People and businesses will move out just as certainly in the face of inadequate levels of service as they will if tax burdens become excessive.

A. The Existing Budget Process

The City's financial plans will become embodied in the annual capital and operating budgets. These budgets reflect the projection of all receipts from all sources, and disbursements, and present the level of governmental services and the method of distributing costs to the various segments of the community through the collection of taxes and fees.

Under the Council-Manager form of government, the Council has final responsibility for approving the annual Operating Budget and Capital Facilities Plan. The Administration is responsible for proposing programs and recommending funding levels to the Council for implementing service programs in accordance with established goals and objectives, and establishing program and fiscal policies.

State law directs the Administration to submit the Annual Operating Budget to the Council "not later than six weeks prior to the ensuing fiscal year."

During the budget year, it is to become the policy of the Administration to provide Council and the public with revenue and expenditure forecasts for the balance of the budget year. These forecasts will be given quarterly.

1. Capital Budget. The Capital Budget and Capital Facilities Plan are prepared annually by the Administrative Services Department to show the capital expenditures planned for each of the six ensuing fiscal years, including the estimated total costs of each project and the sources of funding (local, state, federal and private)estimated to finance each project. The Capital Facilities Plan is recommended by the City Manager and transmitted to the Council for adoption.

The Capital Facilities Plan authorizes, in detail, the capital expenditures to be made or incurred in the ensuing fiscal years and is adopted by the Council, current with the Capital Budget. Additional authorization for each capital project must precede the expenditure of funds. The Capital Budget must be in full conformity with that part of the Capital Facilities Plan applicable to the fiscal year which it covers.

It is the policy of the Administration to submit the Capital Budget and Capital Facilities Plan to the Council approximately 90 days prior to the end of the fiscal year (October 1). It is the policy of Council to pass the Capital Budget and Capital Facilities Plan at the same time as the Operating Budget.

B. Operating Budget Policy

The City's most fundamental operating budget policy is that 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. A budget gap must be closed through increased tax rates, new revenue sources or expenditure reductions. The City of Shoreline cannot have an unbalanced budget.

While this fundamental policy will pervade the budget process, a number of other policies will provide guidelines to specific issues relating to the budget.

1. Working Capital Reserve. It is the City's policy to maintain a reserve in each of the principal funds of the City (e.g., general, special revenue, enterprise, debt service and intra-government) at a level sufficient to provide for temporary financing of unforeseen needs of an emergency nature, adverse changes in the economic environment, and to facilitate the orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. This contingency reserve is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. Recurring problems require permanent solutions which reflect a basic reallocation of the City's available resource.

The amount of working capital reserve to be allocated annually to each of the above-mentioned principal funds of the City will be an amount which, when added to the end of the year fund balance for each fund, will give a total at least equal to ten percent of the total governmental revenue of the fund for the current year.

If windfalls or extra revenues occur, they should be added to the fund balance and appropriated in the current or subsequent budgets for non-operating expenses through the normal process.

2. Intergovernmental Grants. One of the needs of the budget process is for the City to have the capability to engage in a comprehensive policy review of the requirements, and in the case of operating grants, would provide the basis for a status of grants received. This ability would ensure compliance with grant requirements, and in the case of operating grants, would provide the basis for a review to determine whether the City would continue to find the activity if the grant runs out.

At present, grant revenues are effectively consolidated with other revenues. However, the purpose of the grant, nature of the Federal or State mandates, and requirements imposed on the City by accepting the grant, are not clearly delineated when the budget is prepared. A separate authorization by Council of the grant application is necessary before the grant application can be processed. To build in the anticipation of future grants to a maintenance service level budget can prove dangerous unless much more is known about the funding status of the grant.

Systems must be revised so all budgeting for grant funds will recognize the purpose of the grant funding, nature of the mandates, requirements imposed on the City by accepting the funding, authorization, appropriation and allocation status of the funds and ensure these are clearly documented.

C Capital Budget Policy.

Capital improvements are major projects of large size, fixed nature, and long life, requiring the expenditure of public funds over and above annual operating expenses. Capital improvements are specifically defined as items for which the purchase, construction, or other acquisition, represents a public betterment to the community and adds to the total physical worth of the City.

When choosing funding sources for capital items, every effort should be made to fund self-sustaining projects either with revenue bonds or self liquidating general obligation bonds. Tax-supported general obligation debt should be considered a scarce commodity to be used only for those projects which have a strong public purpose.

Generally, only those projects having a useful life of more than five years and requiring a capital outlay in excess of $500 ,000, will use long-term bond proceeds as a funding source. Projects in the two to seven year ranges or having a capital cost between $100,000 and $500,000, will be financed through a combination of current operating funds and/or by an equipment leasing program. Items in this category include roof repairs, computer equipment and fleet replacement.

II. ACCOUNTING AND FINANCIAL REPORTING

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

Accountability by City agencies for money and property under their control;

Compliance with governing laws, ordinances and procedures;

Provide information on financial status and profitability of municipal enterprises;

Maintain financial systems to monitor expenditures, revenue and performance of all municipal programs on an ongoing basis;

Reporting to City officers, the City Council and taxpayers concerning the exercise of financial control;

Provide information to managers and executives needed for policy making, management decisions and program/activity supervision;

Provide accurate and timely information to the public and investors.

Our accounting and financial management system is targeted to a number of different users of fiscal data. Management (i.e. City departments) must rely on financial information in daily decision making, budgeting and financial planning, service/activity evaluation, and legal compliance. The City Council is dependent on timely and accurate data to assist in determining efficiency, to oversee City operations, and to determine future operating and capital spending and tax policies. The public relies on financial data in evaluating City programs and the efficiency of basic City services, tax rates, fees and charges. Investors and the bond rating agencies require reliable fiscal information to make judgments regarding the City's ability to meet its obligations, particularly the amortization of debt. Finally, other units of government must be provided with adequate financial data to help sort out the complexities of financial and program management growing out of extensive intergovernmental relationships (e.g., grants, revenue sharing, etc.).

Timely, accurate and complete information is the first prerequisite to sound financial management. Good financial management requires the facts concerning the nature and cost of municipal activities be readily available to City officials.

A. Standards of Accounting and Auditing

Accounting records for general governmental operations are maintained on ; modified accrual basis with the revenues recorded when received and expenditure encumbered. Budgetary controls maintained in each of the appropriate finds by formal appropriation system. Salary expenditures and commitments such as purchase orders and contracts are encumbered when committed.

B. Financial Reporting

The City maintains a financial reporting system which provides reports of revenues, expenditures and financial status. The City's Comprehensive Annual Financial Report covers all funds, groups of accounts, and financial transactions of the City as well as all related boards, commissions, divisions, agencies and authorities. This report represents the culmination of all budgeting and accounting activities engaged in by the City during the fiscal year.

C. State Auditor

To assist in achieving its overall goal of financial accountability, reporting uniformity and conformity with State laws, the City's financial statements are audited annually by Washington State Auditors.

D. Management Letter

During its annual audit of City financial records, the State Auditors identify potential procedural and recording modifications which would help to strengthen the City's financial management practices and control. These modifications are embodied in a management letter.

Auditors, by virtue of their experience, become well acquainted with a broad range of accounting systems, internal control and financial reporting practices. The audit examination allows the auditor to observe whether certain types of systems and controls actually assure fair and complete presentation of financial data.

Thus, it is logical, the auditor besides simply verifying financial information should bring their expertise to bear on the question of how the accounting entity might improve its accounting and reporting practices. Specific changes and recommendations made by the auditor have enabled the City to prepare better and more complete financial information, improve management efficiency and reduce the costs of collecting financial data. All departments affected by comments in the management letter are required to respond to the Administrative Services Director with their schedule for implementing suggested changes and to report periodically on their program.

E. Internal Controls

The City's internal control includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the government and is the starting point for establishing internal control of transactions. The City will use best available internal control practices for all account, payroll, asset inventory, cash, property and evidence custody transactions.

Internal control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization

- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and to maintain accountability for assets.

- Access to assets is permitted only in accordance with management's authorization.

- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

III. INVESTMENTS

The City's policy applies to the investment of all City funds, with the exception of pension funds or money set aside in a trust account for special purposes, such as a refunding trustee, or financial requirements of Federal, State or local law which would prohibit the implementation of this policy.

A. Types of Investments

The City may invest in any of the securities identified as eligible investments as defined by RCW 35A.40.050 "Fiscal - Investment of Funds." In general, these consist of:

1. Investment deposits (Certificates of Deposit) with qualified public depositories as defined in Chapter 39.58 RCW.

2. Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States whose securities carry full faith and credit guarantees.

3. Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include, but are not limited to, Federal Home Loan Bank, Federal National Mortgage Association and Federal Intermediate Credit Bonds, notes, debentures, and guaranteed certificates of participation.)

4. Bankers' acceptances purchased on the secondary market.

5. Repurchase agreements for securities listed in two, three, and four above, provided the transaction is structured so the City obtains ownership and control over the underlying securities.

6. Certificates, notes, and bonds of the State of Washington or political subdivisions, including L.I.D. warrants, notes, or bonds of the Cities of Washington.

Investment authority of special funds such as the Firemen's Pension Fund may vary from the above based on applicable laws.

B. Maturities

The investment program is intended to provide adequate liquidity to meet cash flow requirements.

The minimum requirement for liquidity of operating funds when taken as a whole is 25% of the estimated annual operating budget revenues which shall consist of the following:

- Cash balances;
- Fixed maturities due within 30 days;
- State of Washington Local Government Investment Pool;
- Open repurchase agreements;
- Market value of marketable securities, including accrued interest. No more than 60% of the minimum requirement may be in this category and Interfund Loans;
- Loans to other funds which could be remarketed to the private sector within 30 days. No more than 30% of the minimum requirement may be in this category.

Operating funds (unless pooled) may be invested in maturities not to exceed 18 months unless the Director of Administrative Services has agreed to the longer maturity. Pooled investments may occur in the intermediate market, those investments maturing between 2 and 10 years.

Non-operating funds may be invested in maturities not to exceed 10 years unless the Director of Administrative Services has agreed to a longer maturity and reported same to the Budget and Finance Committee of the City Council. These funds include, but are not limited to:

- Cumulative Reserve Funds
- Debt Service Reserves
- Pension Funds
- Endowment Funds

C. Risk

Speculative investments are not allowed. The City will not purchase investments which at the time of investment are not intended to be held to maturity within the maturity guidelines mentioned above.

D. Selection of Banks and Dealers

The City of Shoreline shall seek to conduct its investment transactions with several competing, reputable investment securities dealers and brokers. Staff shall establish procedures for the competitive purchasing and selling of securities.

While not an absolute restriction, dealers should normally be chosen from the western Washington area.

1. Selection of a Primary Bank

The selection of a primary bank for general banking services will be accomplished through a formal competitive bidding process. Among the services required of a primary bank is the availability of safekeeping services, which must include the ability to transfer daily by federal wire, and investment securities to and from other financial institutions. The safekeeping services must also offer a "delivery vs. payment" option.

2. Selection of Bank and Thrift Institutions

Institutions used by the City of Shoreline must appear on the Approved Depository List required by State law to be designated by the City Council, which must also be approved by the Washington State Public Depository Protection Commission (PDPC) as eligible for the deposit of public funds.

3. Selection of Brokers/Dealers (Including Bank Investment Departments)

The City may deal with all securities dealers classified as reporting dealers affiliated with the New York Federal Reserve Bank as primary dealers, and with those falling under the supervision of Federal Bank Examiners, without further certification.

Other Securities Dealers may be certified by the Finance Manager to conduct business with the City. As part of the certification process, the Finance Manager will obtain a written representation from an officer or Senior Management Representative of each dealer which describes or provides a profile of existing clients, securities specialties, the breadth of the market covered, research capabilities, an experience profile of senior and Shoreline assigned staff, licenses held, adherence to appropriate regulatory standards, size and capitalization. The latter shall be verified by certified audited financial statements.

The Finance Manager will prepare a procedure which describes the selection criteria for dealers and a process for maintaining current dealer information in a file.

Broker dealers doing business with the City will be provided a copy of this investment policy and will be expected to assure the transactions accomplished for the City fall within these policy boundaries.

E. Bidding of Investments

Investments shall be placed through an informal bidding process. Generally, bids should be taken from several institutions. Although the City desires to award bids to the highest bidder, subjective judgment may be required in awarding the bid for such things as size of the investment, cost of placing the investment, time available to place the investment (overhead), Prudent Person Standard, and the general guidelines of this policy.

F. Diversification

By investing in several different instruments with different issuers, failure of a particular transaction to occur as planned is not likely to cause a major cash flow crisis. Our policy is to assure no single institution or security is invested into such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.

G. Administration

The Finance Manager has the operational responsibilities of the investment program, and shall establish a system of controls to regulate these delegated activities and responsibilities. Employees responsible for investments shall be bonded through the City Risk Management Policy.

H. Collateral. Safekeeping and Custody

All safekeeping investments shall be accomplished on a "delivery vs. payment" basis (DVP). (This means the instrument being purchased is delivered to us or our designated agent before payment is released.)

In the case of Certificates of Deposit, the certificates are delivered to and held by the Finance Manager's office.

The market value of securities used in repo transactions must be at least equal to the amount invested and every effort must be made to maintain value to at least the amount invested. Repo's without a margin for market fluctuation must be subject to immediate cancellation prior to the agreed term or require additional collateral to assure adequate market value coverage.

In addition to the custody of securities, concern must also be shown for the quality of securities expressed in terms of their reliability or likelihood of being redeemed at full value at maturity and of making interest payments on schedule.

I. Booking of Losses on Sale of Investment

No loss will be deemed to have occurred on the prematurity exchange of one security for another unless the proceeds of the sale, plus interest earned on the original and subsequent investment, calculated to the original maturity date, is less than the gross proceeds of the original investment at maturity. Loss by default of an issuer will be determined by subtracting any amount received from the collateral or other security devices, from the original investment cost plus interest, calculated to the date of recovery.

J. Written Investment Procedures

The Finance Manager shall provide and maintain written investment procedures consistent with this policy. These procedures shall be approved by the City Administrative Services Director.

K. Reporting Requirements

The Finance Manager shall provide monthly reports to the Administrative Services Director. The report will contain a summary of investment position, yields, maturities, and other such information which may be required by report users.

L. Prudent Person Standard

Investments shall be made with judgment and care under prevailing circumstances, which persons of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes (Prudent Person Standard).

The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing an overall portfolio. Investment officers meeting the "prudent person" standard shall be relieved of personal responsibility for an individual security's subsequent performance, provided appropriate action is taken to control adverse developments.

Investment officials shall recognize the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. The governing body recognizes that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return -- provided adequate diversification has been implemented.

IV. FIXED ASSETS

A. Assets

Land, buildings, improvements, and equipment purchased for all funds, or donated with an original unused value of $1,000 or more shall be capitalized.

B. Buildings

Remodeling costs or changes to existing buildings shall not be capitalized unless it extends the useful life of the structure.

C. Equipment Enhancements

Any $500.00 additions to existing equipment that increase its useful value (example: capacity) shall be capitalized as an enhancement to that equipment,

D. Control of Assets

All assets that can be labeled shall have a numbered City of Shoreline tag attached in a prominent location. Assets of a lesser value than the capitalization standard of $1,000, may be tagged where there is a need for property control and accountability. The identification tags shall be attached by an employee of the department receiving the assets. (Tags will be supplied by the Finance Office.)

E. Disposition of Assets

The Finance Division's Accounting Office must be notified of assets sold, traded, transferred surplused or lost.

- When sold or traded, the identification tag is to be removed, attached to a disposal form and sent to the Finance Division's Accounting Office.

- When assets are relocated and there is a change of user, it is necessary to inform the Finance Division's Accounting Office by completing the equipment transfer forms. All location changes of personal computers, terminals, monitors and printers shall be made only by an employee authorized by the Computer Services Department.

F. Asset Verification (inventory)

Verification of the existence of assets shall be done by each department on an annual basis. The Finance Division's Accounting Office will provide each department a listing of their assets by user code in November of each year. The listing will include a "sighted" column that is to be check marked to indicate the asset exists. If the asset is not found, the "sighted" column is to be left blank, but indicate next to the column one of the following: removed, lost, surplused traded, transferred, sold, or junked. Each employee is responsible for the assets they have been assigned and they are to be held accountable for any loss.

The inventory of the assets by each department is reguired to be completed in November of each year and returned to the Finance Division's Accounting Office on/or before the end of the month.

V. PURCHASING

The City of Shoreline purchasing policy establishes a small works roster process to award public works contracts, and governs the purchase of supplies, materials and equipment and for the purchase of professional services. The purchasing limits established in this policy apply to items provided for in the budget approved by the City Council. Items which are beyond budgetary authority must be approved by the City Council. The small works roster procedures are established for use by the City, pursuant to RCW 35.23.352, 35A.40.210 and chapter 39.04 RCW. Purchase or lease of real estate; franchise agreements; and intergovernmental or interlocal agreements will be entered into following state law.

A. Purchase of Materials. Supplies or Equipment

1. Cost. The City is not required to use formal sealed bidding procedures, to purchase materials, supplies or equipment where the cost of same will be under Twenty Five Thousand Dollars ($25,000.00). When the City desires to purchase materials, supplies or equipment. estimated to cost between Twenty Five Thousand Dollars ($25,000.00).and One Hundred Twenty Five Thousand ($125,000.00), the procedures set forth in this policy may be used. Above $125,000.00 formal sealed bids shall be solicited and contracts awarded after approval of the City Council of the lowest responsible bid. The Council at any time may reject all bids.

2. Publication of Notice. At least twice a year, the City shall publish, in the City's official newspaper and the Daily Journal of Commerce, notice of the existence of the City's roster of vendors for materials, supplies and equipment, and shall solicit names of vendors for the roster.

3. Informal Quotations. The City shall follow the following process to obtain informal quotes from vendors for the purchase of materials, supplies or equipment:

- A written description shall be drafted of the specific materials, equipment or supplies to be purchased, including the number, quantity, quality and type desired, the proposed delivery date, and any other significant terms of purchase;

- A City representative shall make a good faith effort to contact at least three of the vendors on the roster established according to this section, and, reading from the written description, obtain informal quotes from the vendors on the required materials, equipment or supplies;

- At the time such informal quotes are solicited, the City representative shall not inform a vendor of the other vendor's bid on the materials, supplies or equipment;

- A written record shall be made by the City representative of each vendor's bid on the materials, equipment and supplies, and of any conditions imposed on the bid by such vendor;

- All of the informal bids or quotes shall be collected and presented at the same time to the City Manager or their designee for consideration, determination of the lowest responsible bidder and award of the contract.

4. Determining Lowest Responsible Bidder. The City shall purchase the materials, equipment or supplies from the lowest responsible bidder, provided that whenever there is a reason to believe that the lowest acceptable bid is not the best price obtainable, all bids may be rejected and the City may call for new bids or enter into direct negotiations to achieve the best possible price. The following factors, in addition to price, may be taken into account by the City in determining the lowest responsible bidder:

- Any preferences provided by law to Washington products and vendors;

- The quality of the materials, supplies and equipment to be purchased;

- The conformity of the materials, supplies and equipment to the City's specifications;

- The purposes for which the materials, supplies and equipment are required;

- The times for delivery of the materials, supplies and equipment;

- The character, integrity, reputation, judgment, experience and efficiency of the bidder;

- The life cycle cost of the materials supplies or equipment;

- Such other information as may have a bearing on the decision to purchase the supplies, materials or equipment.

5. Life Cycle Costing. In considering bids for purchase or lease, whenever there is reason to believe that applying the "life cycle costing" method to bid evaluation would result in the lowest total cost to the City, first consideration shall be given to the bid with the lowest life cycle cost which complies with the specifications. "Life cycle cost" means the total cost of an item to the City over its estimated useful life, including costs of selection, acquisition, operation, maintenance, and where applicable, disposal, as far as these costs can reasonably be determined, minus the salvage value at the end of its estimated useful life. The "estimated useful life" of an item means the estimated time from the date of acquisition to the date of replacement or disposal, determined in any reasonable manner.

6. Award. Immediately after the contract award is made, the written record of each vendor's bids or quotes shall be open to public inspection and available to the public by telephone inquiry. Any contract awarded under this subsection need not be advertised.

B. Public Works Contracts

1. Cost. The City need not comply with formal sealed bidding procedures to award public works contracts where the estimated cost is under One Hundred ~~Twenty Five~~ Thousand Dollars ($1~~25~~,000.00), which includes the costs of labor, material and equipment and the City may use the small works roster procedures set forth herein. For projects above $1~~25~~,000.00, formal sealed bids shall be solicited and contracts awarded after approval of the City Council of the lowest responsible bid. The Council may at any time reject all bids.

2. Number of Rosters. The City may create a single general small works roster, or may create a small works roster for different categories of anticipated work.

3. Contractors on Small Works Roster(s). The small works roster(s) shall consist of contractors who:

- Have requested to be on the roster(s);

- Are properly licensed, qualified or registered in this state to perform the work.

4. Publication. In January and June in subsequent years, the City shall publish a notice in the City's official newspaper and the Daily Journal of Commerce, stating the existence of the small works roster(s) and shall solicit names of contractors for the roster(s).

5. Telephone or Written Quotations. The City shall obtain telephone or written quotes for public works contracts under this section as follows:

- The City shall write a description of the scope and nature of the work to be done, together with any other specifications material to the bid;

- A City representative shall contact at least five appropriate contractors from the small works roster(s), and, reading from the written description, obtain telephone or written bids from the contractors. Whenever possible, the city shall invite at least one proposal from a minority or woman contractor who is qualified under RCW 39.04.155. At the time each of the bids are solicited, the City representative shall not inform the contractors of the terms or amount of any other contractor's bid for the same project;

- Once a contractor has been afforded an opportunity to submit a proposal, that contractor shall not be offered another opportunity until all other appropriate contractors on the roster have been given an opportunity to submit a bid;

- A written record shall be made by the City representative of each contractor's bid on the project, and of any conditions imposed on the bid;

- All of the telephone bids or quotes shall be collected and presented at the same time to the City Manager for consideration, determination of the lowest responsible bidder and award of the contract.

6. Determining Lowest Responsible Bidder. The City Manager or City Council shall award the contract for the public works project to the lowest responsible bidder provided that whenever there is a reason to believe that the lowest acceptable bid is not the best price obtainable, all bids may be rejected and the City may call for new bids or enter into direct negotiations to achieve the best possible price. In addition to price, the City shall take into account all of the factors described in Section A (4) of this policy together with the following:

- The ability, capacity and skill of the bidder to perform the contract;

- Whether the bidder can perform the contract within the time specified by the City;

- The quality of the bidder's performance of previous contracts or services;

- The previous and existing compliance by the bidder with laws relating to the contract or services.

7. Life Cycle Costing. In considering bids for the construction of public works projects, whenever there is reason to believe that applying the "life cycle costing" method to bid evaluation would result in the lowest total cost to the City, first consideration shall be given to the bid with the lowest life cycle cost which complies with the specifications. Evaluation of "life cycle cost" shall follow the process described in Section A (5) of this policy.

8. Award Immediately after the contract award is made, the written record of each contractor's bids or quotes shall be open to public inspection and available to the public by telephone inquiry. Any contract awarded under this subsection need not be advertised.

C. Purchase of Professional Services (including Architects & Engineers)

1. Professional and Consultant Service Professional and consultant service contracts are not required to be bid but may be negotiated. Council's authorization is required for contracts of $25,000.00 or more.

2, Architects and Engineers Public Works and architectural contracts shall follow the same procedure as professional services except as modified by State Law.

D. Intergovernmental or Interlocal Agreements, Real Estate Transactions and Franchise Agreements Washington State Law governs City actions regarding intergovernmental or interlocal agreements, real estate transactions and franchise agreements. The City of Shoreline will follow state law regarding these agreements or contracts. The City Council approves all proposed agreements or contracts after a recommendation by the City Manager.

E. Use of Bids, Formal or Informal, of Other Governmental Entities When it is in the best interest of the City, as determined by the City manager or their designee, the City may acquire goods and/or services through agreement with another government of 25,000 population or greater. In the event that another government has conducted a competitive formal or informal bid for goods and/or services that Shoreline wishes to acquire, the City may, through agreement, acquire the same services or goods at the awarded bid price. The competitive bid process of the original jurisdiction shall substitute for Shorelines.