
Financial Management Policies

Basic Policy Statement

The City of Renton is committed to the highest standards of responsible financial management. The City, including the City Council, Mayor and staff will work together to ensure that all financial matters of the City are addressed with care, integrity, and in the best interest of the City.

The rules and procedures contained in this section are designed to:

1. Protect the assets of the City of Renton;
2. Ensure the maintenance of open and accurate records of the City's financial activities;
3. Provide a framework of operating standards and behavioral expectations;
4. Ensure compliance with federal, state, and local legal and reporting requirements; and
5. Provide a means for the City Council to update and monitor these policies with the assistance and cooperation of the Mayor's office and the Finance and Information Services Administrator.

Lines of Authority

1. The Renton City Council has the authority to execute such policies as it deems to be in the best interest of the City within the parameters of federal, state, and local law.
2. The Finance Committee has the authority to perform reviews of the organization's financial activity, determine the allocation of investment deposits, and assure that adequate internal controls are in place.
3. The Mayor and Chief Administrative Officer (CAO) have the authority to oversee the development of the biennial budget, make spending decisions within the parameters of the approved budget, enter into contractual agreements, make capital asset purchase decisions and make decisions regarding the allocation of expenses within designated parameters. Unless otherwise specified in this document, principal responsibility for complying with the directives enumerated herein shall be vested in the Mayor.
4. Each Department Administrator has the authority to expend City funds within approved budget authority and in accordance with procedures prescribed by the Mayor's Office, and to recommend spending requests within the parameters of the approved budget process to the Mayor.

Accounting Records and Reports

1. Basis of Accounting
 - a. The City's Comprehensive Annual Financial Report (CAFR) on its financial activity shall be presented in compliance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB).
2. Basis of Budget
 - a. The City budget is presented on a GAAP basis of accounting.
3. Fund Accounting
 - a. The City of Renton's accounting and budgeting systems use a fund accounting consistent with guidance provided by the GASB and the Washington State Auditor's Office.
 - b. The funds are grouped into categories: General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Fiduciary/Trust.
 - c. The City Council shall create and eliminate funds as appropriate by separate ordinance, or through the budget ordinance.
 - d. Funds shall either be "external" or "internal" for financial reporting purposes.
 - i. Internal funds shall be separate sets of accounts for the purpose of enhancing internal management control only. These funds shall reside within an external fund. For cash management purposes, internal funds may rely on their related external fund without payment of interest or violation of the City's cash management policies. (See Interfund Loan policy for further clarification).
 - e. The City's financial accounting system shall assure that the status and transactions of each account and their relationship to budget authority is clear.
4. Financial Reporting
 - a. The CAFR shall be timely and comprehensive and meet or exceed professional industry standards.
 - b. The City's budget documents shall provide for comparison with prior years.
 - c. Revenue and expenditure reports shall be prepared monthly and be available on the City's website.
 - d. A written analysis of the City's monthly report shall be prepared quarterly, coordinated with the Chief Administrative Officer and Mayor, reviewed with the City Council, and available on the City's website.
 - e. All budget amendments shall be included in the monthly report.
 - f. Any outstanding interfund loans shall be disclosed in the quarterly report.
5. Audit
 - a. The City shall commission an annual audit of its financial reports and related records to be conducted by the Washington State Auditor's Office.
 - b. At the conclusion of the audit, the auditor shall be available to brief the City Council on the results.
 - c. The results of the audit shall be available to the public.

Policy on Stabilization Funds

Sufficient fund balances and reserve levels are important in the long-term financial stability of the City.

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

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- a. General Government
 - i. The City shall maintain reserves in the General Government Funds at least 8% of total budgeted operating expenditures with a target of 12%.
 - ii. In addition, the City shall maintain an additional reserve as a part of the City's Risk Management Funds in a minimum amount of \$5,000,000.
 - iii. In addition, the City shall maintain an "Anti-Recessionary Reserve" in an amount of at least 2% of General Government budgeted operating expenditures. Expenditures utilizing the "Anti Recessionary Reserve" require a two-thirds majority vote of the City Council and will be replenished within three (3) years.
 - b. The City shall maintain one year payments in voted general obligation debt service funds.
 - c. The City shall maintain reserves in the Enterprise Funds as follows:
 - i. Water, Wastewater, and Surface Water Utility Fund: 12% of total budgeted operating expenses
 - ii. King County Wastewater Treatment: \$380,000 (approximately 3% of total operating expenses)
 - iii. Solid Waste: \$400,000
 - iv. Golf Fund: 25% of total budgeted operating expenses.
 - v. All other Enterprise Funds: 10% - 20% of total budgeted operating expenses
 - d. Reserve balances of other funds shall be set through the budget process in an amount consistent with the purpose and nature of the fund.
2. Replacement reserves shall be established for equipment, and computer software should the need continue beyond the estimated initial useful life, regardless of whether the equipment is acquired via lease, gift or purchase. Service charges paid by City departments to the appropriate Internal Service funds should include an amount to provide for replacements.

Financial Planning

1. The City shall maintain a long-term (five year) financial planning model.
 - a. The financial planning model shall:
 - i. be based on the currently adopted budget;
 - ii. utilize these policies;
 - iii. be based on assumptions and drivers realistically expected to occur;
 - iv. clearly document the assumptions and drivers used and the results of the use of such assumptions and drivers;
 - v. be designed in such a way to permit analysis of alternative strategies;
 - vi. relate to the related plans of the City to include Service Delivery Plans, Comprehensive Plans, Master Plans, etc.; and
 - vii. shall be prepared for the General Government and such other funds as the deemed necessary.
2. Budget development
 - a. The City shall prepare an biennial budget that is consistent with:
 - i. state law;
 - ii. the long-term financial planning model;
 - iii. these policies; and

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- iv. industry best practices.
 - b. The City of Renton's biennial budget shall be prepared using the following schedule and process as a general guide:
 - i. Review stakeholder input such as surveys, public forums, neighborhood meeting notes and business community communication.
 - ii. The Mayor, City Council and Chief Administrative Officer will conduct a goal-setting retreat with the Department Administrators updating the Business Plan and other policy guidance.
 - iii. The City Council and Administration will meet to review and discuss the prior year's audited results, current year budget status, next budget schedule, process, budget guidelines and budget preparation items of interest.
 - iv. The Finance & IS Administrator prepares the budget preparation instructions and meets with Department Administrators to distribute budget instructions and discuss budget preparation.
 - v. The instructions will include policy priorities, estimates of compensation adjustments, internal service and indirect charges.
 - vi. Departments will provide to the Finance & IS Department budget estimates and requests conforming to the budget instructions.
 - vii. The Mayor submits a proposed balanced Preliminary Budget to the City Council in conformance with state law.
 - viii. Balanced budget should comprise of funding recommendations for the operating and capital budgets that do not exceed the estimated resources.
 - ix. The City Council conducts public hearings on the proposed budget in conformance with state law.
 - x. The City Council sets the City's property tax levies.
 - xi. The City Council adopts the final budget ordinance.
 - xii. The Final Budget Document is published and posted to the City website.
 - c. Budget amendments should be presented for consideration when the need arises.
 - i. Budget authority shall be at the fund level.
 - ii. Changes resulting in a need to revise the appropriation authority shall be presented as they occur.
 3. Revenues
 - a. Revenue forecasts shall assess the full spectrum of resources available to finance City programs and services.
 - b. The City shall consider the diversification of revenue as a strategy when developing its financial plans.
 - c. Should an economic downturn develop that results in (potential) revenue shortfalls or fewer available resources, the City will make appropriate adjustments to its budget.
 - d. Revenue estimates shall be based on forecasting methods recommended by the Government Finance Officers Association (GFOA) and will typically be more likely to be conservative rather than aggressive.
 4. Expenditures
 - a. Priority shall be given to expenditures that will improve productivity.
 5. Capital Improvements

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- a. A comprehensive six-year plan for City capital investments shall be prepared annually and adopted by the City Council as part of the City budget.
 - i. All projects included in the Capital Investment Program (CIP) shall be consistent with the City's Comprehensive Plan.
 - ii. The Capital Investment Program shall be prepared in consultation with Council Committees for ongoing capital investments.
 - b. All proposed capital improvement projects shall include a recommended or likely source of funding.
 - c. Private development (including residential, commercial and industrial projects) shall pay its fair share of the capital investments that are necessary to serve the development in the form of system development charges, impact fees, mitigation fees, or benefit districts.
 - d. Capital project proposals should indicate the project's impact on the operating budget, including, but not limited to, long-term maintenance costs necessary to support the investment.
 - e. Capital projects shall be budgeted for on a project life basis (rather than fiscal year).

Policy on Fees and Charges

1. The City shall annually review all fees for licenses, permits, fines, rates and other miscellaneous charges as part of the budget process.
2. User charges and fees shall be established based at a percentage of the full cost of providing the service, unless otherwise provided by statute or regulation.
 - a. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.
 - b. Other factors for fee or charge adjustments may also include the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
3. Proposed rate adjustments, user charges and fees shall be presented to the City Council for approval each year as part of the Mayor's proposed Preliminary Annual Budget to the Council.
4. The City shall rigorously collect all amounts due.

Policy on Utility Funds

1. The City shall establish and maintain separate utility operating and capital investment funds and budgets for each of its utility operations.
2. Utility rate studies shall be conducted every six years to update assumptions and ensure the long-term solvency and viability of the City's Utilities.
3. Utility rates and capital fees shall be reviewed annually and necessary adjustments made to avoid major rate increases.
4. The City shall use system development charges, grants and low interest loans to fund capital projects where possible. Overall, the utilities should maintain a debt to equity ratio of 60/40.

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5. Each Utility should fund an amount of the cost equal to the annual “depreciation expense” of capital assets less debt service principal payments.
 6. System Development Charges (SDCs) shall be established at levels to ensure that all customers seeking to connect to the City’s utility systems shall bear their equitable share of the cost of both the existing and future systems.
 7. Debt financing of utility improvements will be consistent with the utility master plans, council rate policies and other factors so as to smooth the effect of major improvements on utility rates.
 8. The City shall strive to maintain minimum debt service “coverage” with the net revenue (gross operating revenue of the Utilities less operating and maintenance expenses) of the combined Utilities being 1.25 - 1.5 times the actual debt and the net revenue of the individual Utility being at least 1.25 times the actual debt.

Policy on Debt Issuance and Management

1. Long-term borrowing shall be confined to capital investments or similar projects with an extended life when it is not practical to be financed from current revenues. The City shall not use long-term debt to finance current operations.
2. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligation bonds at or below fifteen years, unless special circumstances arise warranting the need to extend the debt schedule.
3. The City shall work to maintain strong ratings on its debt including maintaining open communications with bond rating agencies concerning its financial condition.
4. With Council approval, interim financing of capital projects may be secured from the debt financing market place or from other funds through an interfund loan as appropriate in the circumstances.
5. The City may issue interfund loans when appropriate and consistent with a separately adopted City Council policy on the subject.
6. When issuing debt, the City shall strive to use special assessment, revenue or other self-supporting bonds in lieu of general obligation bonds.
7. Long-term general obligation debt shall be utilized when necessary to acquire land or capital assets based upon a review of the ability of the City to meet future debt service requirements. The project to be financed should also be integrated with the City’s long-term financial plan and Capital Investment Program.
8. General obligation debt should be used when the related projects are of a benefit to the City as a whole.
 - a. General Obligation Bond (Voted):
 - b. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project.
 - c. Limited Tax General Obligation Bond (Non-Voted):
 - i. The City should avoid issuing general obligation (non-voted) debt beyond eighty percent (80%) of its general obligation debt capacity.

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9. The City shall use refunding bonds where appropriate when cost savings can be achieved of at least 4% (NPV), restructuring its current outstanding debt and/or improving restrictive bond conditions.
 10. The City's financial team for the issuance of debt shall consist of the Council, Mayor, CAO, Finance & IS Administrator, applicable department management (related to the projects to be financed), City Legal Counsel, designated bond counsel, financial advisor and underwriter in order to effectively plan and fund the City's capital investment projects.
 - a. Through a competitive selection process conducted by the Finance & IS Administrator with consultation with the Mayor, Chief Administrative Officer and Legal Counsel, the City Council shall approve the most qualified financial advisor / underwriter and bond counsel.
 - b. These services shall be regularly monitored by the Finance & IS Administrator.
 11. The City shall evaluate the best method of sale for each proposed bond issue.
 - a. When a negotiated sale is deemed advisable (in consultation with the Mayor and City Council) the Finance & IS Administrator shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City.
 - b. When a negotiated sale is used, the City shall use an independent financial advisor to advise the City's participants in matters such as structure, pricing and fees.
 12. The City shall comply with IRS regulations concerning use of, and reinvestment of bond proceeds.
 - a. The City shall monitor and comply with IRS regulations with regard to potential arbitrage earnings. If arbitrage earnings are believed to be above amounts provided by IRS regulations, the City will set aside earnings in order to pay the appropriate amount to the federal government as required by IRS regulation.
 13. The City shall provide full secondary market disclosure related to outstanding debt.

Related Policies

- Investment Policy
- Contracting Policy (Purchasing Authority)
- Interfund Loans

City Funds and Fund Structure

	Key	Report
000 General	A	E
001 Community Services (formerly 101)	A	I (000)
003 Streets (formerly 103)	A	I (000)
004 Community Development Block Grant	A	I (000)
005 Museum (formerly part of 006 and 106)	A	I (000)
006 Library (formerly 106)	A	I (000)
009 Farmers Market	A	I(000)
010 Fire and Emergency Services Memorial	A	I (000)
011 Fire and Emergency Services Health and Wellness	A	I (000)
031 Park Memorial (formerly 131)	A	I (000)
201 1997 LIM GO Bonds - City Hall	A	I (215)
215 Gen Govt Misc Debt Service	A	E
Total General Government		
SPECIAL REVENUE FUNDS:		
102 Arterial Streets		E
108 Leased City Properties		E
110 Special Hotel-Motel Tax		E
118 Cum 2755 (Paths/Trails)		E
125 One Percent for Art		E
127 Cable Communications Development		E
135 Springbrook Wetlands Bank		E
DEBT SERVICE FUNDS:		
219 1989 Unlimited GO Bonds-Senior Housing		E
CAPITAL PROJECT FUNDS (CIP):		
303 Community Services Impact Mitigation		E
304 Fire Impact Mitigation		E
305 Transportation Impact Mitigation		E
316 Municipal Facilities CIP		E
317 Capital Investment		E
318 South Lake Washington Infrastructure Project		E
326 Housing Opportunity		I (316)

City Funds and Fund Structure (continued)

ENTERPRISE FUNDS:	Key	Report
402 Airport Operations		E
403 Solid Waste Utility		E
404 Municipal Golf Course System		E
405 Water Operations	B	E
406 Wastewater Operations	B	I (405)
407 Surface Water Operations	B	I (405)
416 King County Metro	B	I (405)
422 Airport Capital Investment		I (402)
424 Municipal Golf Course System CIP		I (404)
425 Water CIP	B	I (405)
426 Wastewater CIP	B	I (405)
427 Surface Water CIP	B	I (405)
461 Waterworks Bond Reserve	B	I (405)
471 Waterworks Rate Stabilization	B	I (405)
481 Future W/S Bond Proceeds	B	I (405)
INTERNAL SERVICE FUNDS:		
501 Equipment Rental		E
502 Insurance		E
503 Information Technology		I (501)
504 Facilities		I (501)
505 Communications		I (501)
512 Healthcare Insurance		I (502)
522 Leoff1 Retirees Healthcare		I (502)
FIDUCIARY FUNDS:		
611 Firemen's Pension		E
650 Special Deposits		E
ACCOUNTING FUNDS:		
631 Claims Clearing		la
632 Payroll Clearing		la
901 Bank Surplus Balance		la

City Funds and Fund Structure (continued)

910	General Fixed Assets		la
950	General Long Term Debt Account Group		la
990	SCORE PDA DEBT SERVICE		la
991	SCORE OPERATING		la
998	SCORE DEBT SERVICE		la
999	SCORE Capital		la

- A. General Government Funds share general revenues. Therefore, no interest shall be charged for loans between funds.
- B. Water Utility Funds shall be managed as a system such that balance sheet accounts are merged for management and reporting purposes.
- E. External Fund for Reporting Purposes
- I. Internal Fund for Management Purposes
- la. Internal Fund for Accounting Purposes