

The City's financial management policies establish the broad framework within which the City Manager administers City departments and services for the citizens. Policy direction is provided by the City Council, generally developed by staff recommendations brought to the Council for their formal concurrence or are the result of Council-initiated inquiry or debate. Policies can also develop in a more evolutionary way, such as when historical practices set the standard of conduct.

The following policies identify the manner in which the budget develops, allocates, manages and controls financial resources available to the City. These policies are intended to express the principles under which the financial resources are administered.

1. Objective: Develop sufficient resources to support municipal services and maintain fiscal stability.

A. Policy: *Ongoing operations of the City shall be funded by ongoing revenues.*

Status: The City has implemented this policy within the 2010 Budget, providing a municipal services program that continues year after year and operates with ongoing, general purpose revenues. Appropriations are made on an annual basis after an evaluation of the ongoing service programs in competition with other City priorities.

B. Policy: *Revenues should be conservatively projected to help ensure budget solvency.*

Status: The revenue estimates contained in the Budget are based on a conservative analysis of economic prospects for the City. Historical data, where available, has been used to assist in developing projections.

C. Policy: *The City should reserve some of its taxing capacity for future, unknown needs.*

Status: The City retains a substantial amount of unutilized taxing authority. The property tax rate for 2010 is \$2.58576 per thousand dollars assessed valuation out of a statutory limit of \$3.11474 per thousand dollars assessed value. The potential taxing authority on business and occupations is not used at all. None of the authority for a 6% utility tax has been imposed by the City.

2. Objective: Allocate available resources to the various services and programs of the City to carry out City goals.

A. Policy: *The operating budget of the City shall be balanced utilizing current year revenues only, whenever possible. For the capital portion of the budget, the City shall maintain a minimum ending fund balance reserve for each fund.*

Status: The 2010 Budget was developed with this policy in mind. In the General Fund, the City placed a high emphasis on not only maintaining three months of operating expenditures as its minimum reserve, but also encouraged departments to budget within current year revenue estimates. *Please note the minimum reserve in the General Fund was reduced from four months to three months in 2010.*

B. Policy: *The Budget of the City shall be based on and implemented by departmental goals and objectives.*

Status: The 2010 Budget was developed based on department work programs and cooperative efforts to ensure non-duplication of budgeted expenditures due to overlapping involvement in certain objectives.

- C. Policy:** Tax supported activities of the City shall be funded in the General Fund or in the special revenue funds associated with tax levies for special purposes.

Status: This policy has been implemented since incorporation of the City in 1990 and is continued in the 2010 Budget.

- D. Policy:** The City shall continue to provide supplemental funding to area human service agencies.

Status: The City recognizes its responsibility and the need for participation and continues to assist in funding human service programs in the community, allocating one and one-half percent (1 ½%) of General Fund operating expenditures for this purpose. City staff will administer a number of human service contracts in 2010, providing more than \$361,879 in budgeted general human services contracts, \$26,000 in CDBG contracts and \$46,400 in budget reserves.



3. Objective: Establish accountability of financial resources during the implementation of the Budget through monitoring.

- A. Policy:** Monthly budget reports outlining the status of revenues and expenditures will be provided to the City Manager, Mayor, City Council and departments.

Status: The Finance Department has trained each department on how to print their monthly reports which detail actual results compared to budget. Each department is responsible for monitoring their expenditures to ensure that they do not exceed the appropriation for their program. The Finance Department also reviews expenditure and revenue status reports monthly.

- B. Policy:** The accounts of the City and its Operating Budget shall be maintained in accordance with the State of Washington Budgeting, Accounting and Reporting System (BARS) and shall be computerized to provide current financial data readily on request.

Status: The City has implemented the prescribed system and has continued this policy in the 2010 Budget.

- C. Policy:** The Council shall review expenditures on each payment cycle.

Status: Payroll and claims expenditures are subject to City Council approval at each Regular City Council Meeting.

- D. Policy:** Department heads shall be responsible for managing their budgets within the total appropriated budget.

Status: Department heads are subject to administrative policies in place and have the duty to manage their department in accordance with the intent of this Budget as provided by law.

4. Objective: Manage the financial resources of the City.

- A. Policy:** *Temporary cash deficits may be supported by a tax anticipation note or interfund loans.*

Status: Tax anticipation notes and interfund loans were used during the City's first two years of existence. In addition, an interfund loan was made in 2002 from the *Port of Seattle ILA Fund #105* to the *Municipal Facilities Capital Improvement Fund #306* to purchase a building to be used as City Hall. The interfund loan was fully repaid in 2008. At this time, no future cash flow deficits are anticipated in any City fund to cover operating costs.

- B. Policy:** *The City will maintain a Contingency Fund to protect the City from unforeseen needs and to allow an accumulation of resources to finance unforeseeable general governmental expenditures in the General Fund.*

Status: The *Contingency Fund* currently has a balance of \$779,870. No appropriations have been made to the Fund since the Fund was established. In addition, the City Council has a policy of maintaining a minimum fund balance in the General Fund of an amount equal to three months of operating expenditures.

- C. Policy:** *The City will maintain debt obligations within the statutory limits for debt capacity.*

Status: As of December 31, 2009, the City of SeaTac has outstanding general obligation bonds of \$6,802,050 and revenue bonds of \$4,460,000 totaling \$11,262,050 for the City. This total is well below the City's maximum debt capacity of \$332 million.

- D. Policy:** *The City's investment practices shall be in accordance with administrative policies developed in accordance with appropriate professional standards.*

Status: Administrative policies are in place to regulate investment practices. Currently, all of City's funds are in instruments adhering to sound investment practices. Most of the City funds are invested in the State's Local Government Investment Pool (LGIP) in certificates of deposit, commercial paper and treasury obligations. At the end of 2009, the City had \$38 million invested outside the LGIP in other government agency securities.

5. Objective: Provide high quality financial reports in a timely and understandable manner.

- A. Policy:** *Regular monthly financial reports will present a summary of financial activity for the City.*

Status: Monthly budget reports outlining the status of revenues and expenditures are printed by each department. The Finance Department also reviews the monthly revenue and expenditure status reports. Supplemental financial reports are developed and distributed as requested on an ongoing basis.

- B. Policy:** *The City shall annually prepare a Comprehensive Annual Financial Report in accordance with Generally Accepted Accounting Principles (GAAP).*

Status: Comprehensive Annual Financial Reports have been prepared annually since the City's incorporation. The 2009 CAFR will be prepared and distributed during the first six months of 2010.

- C. Policy:** *The City shall annually seek the GFOA Distinguished Budget Presentation Award and the Certificate of Achievement for annual reports in order to promote professional management of the City's finances.*

Status: The 1992 through 1996, and 1998 through 2008 Budgets, as well as the 1991 through 2006 and 2008 Comprehensive Annual Financial Reports, have received these awards. It is the City's intent to continue seeking recognition for both of these documents in the future.