



Financial Management Policy

December 2025



Reader's Guide

The stewardship of public funds is one of the primary responsibilities given to elected officials of the City of Snohomish. Strong financial policies enable City officials to manage the City's financial resources in a prudent manner that meets current obligations and plans for future needs.

Financial policies can also become over-complicated and confusing, particularly with some technical and financial information. As the City Council and staff started the process to revamp its financial management policy, there was a conscious effort to establish clear guidelines in a format that is easy to understand. It is our hope that this policy is a useful tool that helps educate the community while fostering transparency and accountability.

Below is a high-level overview of the major sections of the Financial Management Policy, with a brief description for each of what that section covers. The Table of Contents on the following page will guide you to the specific section you are interested in reviewing in further detail.

Financial Management Guidelines

An overview of the financial philosophy, priorities, and framework for fiscal management decisions.

Budgets

Provides general requirements for the biennial budget, including details on the budget process, principles, and personnel. This section also provides more detail about those structure and reserve requirements across 23 funds.

Revenues

Revenues come into the City from a number of sources. This section sets guidance on the types of revenue and how they should be allocated.

Financial Planning

Lays out the guideline for developing financial planning and forecasting across two-year and five-year horizons.

Expenditures & Procurement

Provides details governmental accounting principles for expenditures and purchasing authority.

Debt

This section lays out how and when the City may use short- or long-term debt for projects.

Banking and Investments

Includes mandatory language delegating authority for banking, cash management, and the City's investment portfolio.

Auditing, Accounting, and Internal Controls

Provides necessary guidelines to meet state and federal requirements while ensuring safeguards are in place to protect the City's assets.

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1.0 Financial Management Guidelines

The City's financial goal is to maintain a strong financial condition that provides the necessary resources to:

- Support economic vitality of the Snohomish business community and residents.
- Withstand economic downturns and unanticipated emergencies.
- Protect the City's credit rating and provide adequate resources to meet the provision of the City's debt obligations for all municipal debt.
- Ensure the legal use of financial resources through an effective system of internal controls.
- Provide financial transparency to the public.
- Ensure compliance with all applicable policies and regulations of the City, the State, and Federal Government.

1.1 Priorities

The City provides municipal services for its residents, businesses, and visitors. Delivering those services consistently and equitably with maximum efficiency and financial care is critical. With this in mind, the City shall prioritize its services and allocate resources in the following general order:

1. Public health and safety items like police; inspections; water, sewer, and storm drainage service; and streets infrastructure.
2. Legal mandates, including accounting, auditing, and financial reporting; land-use planning; risk management; and required staff certifications and training.
3. City facilities and property, such as maintenance of parks, buildings, public rights of way, and City equipment and technology.
4. Council and community goals, both annual and long-range, including strategic plan goals.

1.2 Designated Authority and Responsibilities

The City Council is the legislative and governing body responsible for setting the City's Financial Management Policies, approving the budget, and monitoring the City's overall financial performance. Any deviations from the Financial Management Policy, as adopted, shall require consultation with the City Council and/or Mayor based on delegated authority.

The Mayor, and as delegated to the City Administrator, manages the day-to-day operations of the City. It is also their responsibility to prepare and administer the City's biennial budget consistent with the established City policies and legal requirements.

The Finance Director, as the City Treasurer, is responsible for preparing accurate and timely financial and budget reporting. Additional responsibilities include general accounting, tax administration and utility billing operations, procurement, and compliance with federal and state funding requirements.

The department heads report directly to the City Administrator and are responsible for managing department operation budgets, projects, and grants. Directors and managers

monitor related revenue performance and expenditures according to these policies and Council goals, with the assistance from the Finance Department.

2.0 Budgets

The City budgets on a biennial basis, or a two-year cycle. The budget will be developed in accordance with these policies, the Comprehensive Plan, City Council goals and priorities, the needs of the community, and federal and state laws.

The adopted budgets shall be structurally-balanced where ongoing expenditures are funded by anticipated ongoing revenues. Ongoing expenditures do not include “one-time” items such as capital outlay, projects or studies. Allocations or transfers to other funds that depend on general revenues are not considered ongoing expenditures either (i.e., Streets Capital Fund, Municipal Capital Fund).

The funding of technology or process improvements that increase efficiency and effectiveness of the delivery of City services should receive priority funding.

The City budget appropriations are adopted at the fund and/or program level. Department heads are responsible for preparing a budget that reflects realistic expense projections and that adhere to guidelines within this policy document.

2.1 Personnel

Salary and benefit costs are one of the City’s most significant operating expenses. The City will strive to maintain compensation packages which are competitive with other public sector employers and that are sufficient to attract and retain quality employees. The Mayor’s proposed budget will identify staffing levels and provide justification for any increases or decreases in overall City staffing.

The budget should provide an account for one-time expenditures associated with the end of an employee’s employment, such as unemployment liabilities. The Finance Director may establish administrative procedures that specify how and why these funds may be expended.

If an employee’s termination results in costs associated with their separation beyond the budgeted amount for the position, the projected financial impact of the termination must first be analyzed with the City Administrator, Human Resources Director, Finance Director and City Attorney. Any unbudgeted financial impact anticipated to be greater than \$10,000 requires the Human Resources Director to prepare a notification to City Council that summarizes the action to be taken, anticipated costs, and plan to fund the unbudgeted financial impacts.

If a Union collective bargaining agreement is under negotiation, a proposed budget shall not include any cost increases or decreases beyond a base COLA adjustment and what is in the existing contract(s). This is to protect the City from any claims of not bargaining in good faith. Economic impacts of City and Union proposals will be shared with the Council as part

of the negotiation progress. Upon mutual agreement of a new collective bargaining agreement, any prospective financial adjustments will need to be included in a subsequent budget amendment process.

2.2 Equipment Replacement & Maintenance

Anticipated equipment replacement and maintenance needs will be updated at least every two years. Replacement of items with a cost of \$5,000 or more shall be planned and budgeted at stable intervals to preserve cash flow when possible. Deferment of regular repair and maintenance will not be used to balance the budget.

2.3 Capital Improvements

The major resources for funding capital improvement and capital maintenance programs are revenues, grants and debt. Financing planned capital replacement costs are an ongoing challenge. Preparing for the challenges of infrastructure replacement or enhancements demands a long-term view of replacement needs.

In order to plan for these needs the City will develop a six-year Capital Improvement Plan (CIP) for adoption by Council as required by Washington's Growth Management Act. The CIP will be consistent with the Capital Facilities Element of the City's Comprehensive Plan. Any capital project over \$15,000 with a minimum of a five-year anticipated life will be included in the CIP.

The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will determine the most beneficial financing method for all new projects, using intergovernmental assistance and other outside resources whenever possible.

2.4 Fund Structure and Reserve Guidelines

The City's accounting and budgeting systems are organized and operated on a fund basis. Funds are accounting entities used to record revenues and expenditures. By definition, balanced funds mean that total revenues equal total expenditures. The budgeted funds are grouped into categories: General, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service and Fiduciary. The following provides a brief description of the fund types and reserve guidelines for each fund.

GENERAL FUND (001) -- This is the primary operating fund or current expense fund of the City. To maintain the City's credit rating and meet seasonal cash flow, the budget shall provide for an anticipated undesignated fund balance between 15% and 20% of estimated annual expenditures for general government fund types. The fund balance shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies. Should the undesignated fund balance fall below 15% of expenditures, a plan for expenditure reductions and/or revenue increases shall be submitted by the City Administrator to the Council. If, at the end of a fiscal year, the undesignated fund balance falls below 15%, then the City shall rebuild the balance within a period not to exceed three fiscal years.

SPECIAL REVENUE FUNDS (100's) -- These funds account for revenues derived from special taxes, grants or other committed or restricted sources designed to finance particular activities. Apart from any unrestricted General Fund contributions to a Special Revenue Fund, the unexpended ending fund balances carry over year to year and should retain enough revenue to cover operating cash flow and anticipated major project or program obligations of the fund.

Of these funds, the Street Fund is of an operations nature. The Street Fund reserve balance will be equivalent to 1-2% of Street Fund expenditures.

Other Special Revenue Funds are more cyclical, or project related and only need retained ending fund balances or transfers in to cover anticipated obligations: Park and Traffic Impact fees, PBIA, Lodging Tax, TBD, Affordable Housing, and Tree Mitigation.

CONTINGENCY/RAINY-DAY FUND (103) -- Each fund should retain enough in its own Ending Fund Balance Reserves to offset minor non-recurring or unanticipated expenses during the budget year. Beyond those reserves, the City's Contingency/ Rainy-Day Fund is intended as a strategic reserve to meet emergency conditions or to help maintain essential services during periods of economic downturn. The fund will build to between 5% - 10% of General Fund annual operating expenditures (but below the requirements of RCW 35.33.145) after its creation and subsequent to its intended use.

DEBT SERVICE FUNDS (200's) – These funds are used to pay general government debt. The City shall retain or transfer in funds sufficient to cover the annual debt service obligations and retain such “coverage” amounts to comply with bond covenants or other loan restrictions.

CAPITAL PROJECTS FUNDS (300's) – These funds are established for the acquisition or construction of capital improvements for general and/or infrastructure projects. Ending Fund Balance Reserves should be maintained at sufficient levels to cover anticipated annual expenditures with transfers in from supporting funds (General Fund, REET, etc.) to cover project needs.

ENTERPRISE FUNDS (400's) – These funds are the proprietary or “business-like” funds for operations providing services to the general public supported through user’s fees (Water, Sewer, Stormwater, etc.). The Ending Fund Balances of these funds should be equal to or greater than 90 days of operating expenditures and any additional amounts needed to build towards future project cash or debt payment needs. To the extent that the reserved Fund Balance and operating cash flow are not adequate to fund needed utility system improvements, additional rate increases or surcharges may be adopted by Council. Included in the Enterprise funds are Debt Service Reserve Funds, Utility Capital Project Funds and System Development Fund. Revenue bonds may be issued by the Enterprise Funds. Investors may require additional lending requirements or covenants. The ending fund balance of the Enterprise Funds should include a reserve to cover any additional covenant requirements.

INTERNAL SERVICE FUNDS (500's) – These funds are also internal “businesslike” funds for operations providing services to other City departments (funds) on a direct cost-

reimbursement basis (e.g. including Information Technology services and equipment and Facilities, Fleet Maintenance & Operations, and Equipment Replacement). Budgeted allocations specifically designated as a set-aside for planned equipment replacement in future years shall remain in the designated fund at the end of the fiscal year. This allows replacement funds to accumulate over the years in anticipation of larger purchases.

FIDUCIARY FUNDS (600's) – These funds account for assets held by the City as a trustee or as an agent on behalf of others. Ending Fund Balances and any transfers in should be maintained consistent with fund restrictions.

ENDING FUND BALANCE, RESERVES, CONTINGENCY SUMMARY -- The following is a summary of the reserve guidelines. Guidelines will be reviewed as a part of the biennial budget process:

General Fund	15-20% of total expenditures
Streets	1-2% of total expenditures
Other Special Revenue Funds	Sufficient to meet obligations
Contingency	Target of 5-10% general fund operating expenditures
Debt Service	Sufficient to meet obligations
Capital	Sufficient to meet obligations
Enterprise Funds	90 days of operating expenditures
Internal Service	Sufficient to meet obligations
Fiduciary	Sufficient to meet obligations

The undesignated General Fund Balance (the balance not tied to a known project) will be maintained at a level that provides the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The City should not use the undesignated General Fund Balance to finance recurring operating expenditures. Annual General Fund revenues should be equal to or greater than annual regular operating expenditures.

Reserves above the target can be used for new expenditures, with emphasis placed on one-time uses that achieve future operating cost reductions. General Fund revenues will be used for general government, street and community service programs only. General Fund revenue for other purposes will require approval by the City Council.

General Fund revenues will not be used to subsidize utility or enterprise operations, which will be self-supporting through user rates.

2.5 Budget Amendments & Reconciliation

The City Council will formally amend the biennial budget as necessary to address unforeseen expenditures. The Finance Department will thoroughly analyze all funding requests. The Council will receive a comprehensive overview that includes the legal and policy rationale for the expenditure, recommended funding sources, an assessment of the fiscal impact, and a review of all reserves and previously approved amendments since the budget was adopted.

After the closure of the previous fiscal year, the Finance Department will prepare an ordinance adopting actual beginning reserves for all funds to replace those estimated in the adopted budget and reappropriating budget authority under contract or otherwise needed for ongoing operations or capital projects.

2.6 Overhead Cost Allocation

As provided in the State Auditor’s Office guidelines, “Cost allocation is a method to determine and assign the cost of central services to the internal-government users of those services. Cost allocation thereby enables local governments to more accurately account for the complete cost of the services it provides to the public—and to better assess the fees it should charge them.” A cost allocation includes direct costs (not otherwise charged to budget units) and indirect costs. Direct costs can be clearly linked to a particular service or unit, like IT or fleet services. Indirect costs are incurred for common or joint purposes, benefiting more than one unit, and cannot be readily assignable to a specific unit (e.g., legal, human resources, administration, clerk, etc.).

A cost allocation plan should be designed and used to provide a reasonable, consistent and equitable means to allocate costs. This cost allocation plan—or CAP—shall be included in each biennial budget adopted.

2.7 Budget Monitoring

The Finance Director will maintain a system for monitoring the City's budget performance. This system will provide timely information to Department Heads and the City Manager to ensure accuracy of financial data and compliance with budget appropriations. The Council will receive quarterly reports regarding fund level revenues and expenditure performance compared to budget.

Significant financial issues that need to be addressed between regular monitoring reports will be provided to Council as warranted. The Finance Director will monitor unanticipated needs or emergency expenditures and prepare budget amendments or supplementals in compliance with State Law.

3.0 Revenues

The City will strive to maintain a revenue mix that balances more predictable types of revenues with ones that can fluctuate from year-to-year. The City should work to avoid relying too heavily on any one type of revenue. Revenue estimates should be conservative, particularly when forecasting economically sensitive revenue sources like sales tax and permitting fees. To pursue this policy goal, the City Council will consider revenue changes as part of its review of the City’s long-range financial strategy for each biennium.

3.1 General Revenue Policies

Restricted revenue shall only be used for purposes legally permissible and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated as such. One-time revenues shall support one-time expenditures.

County, state or federal funding will be used to finance only those capital improvements that are consistent with the capital improvement plan and local government priorities, and whose operation and maintenance costs have been included in operating budget forecasts.

3.2 Enterprise Fund Revenue Policies

Enterprise funds will be operated in a manner that maintains a minimum ending fund balance that is not less than 90 days of operating expenditures. Utilities will be self-supporting through user rates and charges.

Utility user charges for each of the City utilities will be based on cost of service (i.e., set to fully support the total direct, indirect, and capital costs) and established so that the operating revenues of each utility are at least equal to its operating expenditures and annual debt service obligations. The user rates of a utility shall be designated so that a portion covers replacement of the utility's facilities.

The Utility will conduct a study of its user rates no less than every 5 years to ensure rates are adequate to fund operations and meet future needs. Fund balances may be used to temporarily offset rate increases, after sufficient funds have been accumulated for identified capital improvement needs or alternative funding for projects has been secured.

3.3 Fees and Charges (Non-Utility)

All fees for licenses, permits, fines, and other miscellaneous charges shall be set to recover the City's expense in providing the attendant service. Average cost or actual cost methodology may be used. These fees will be reviewed periodically and will be incorporated into the budget process for possible action by Council.

Fees and charges for services will generally be set to recover the actual cost of service delivery. Fees that are set lower than the cost-of-service delivery will be reviewed at least every other year to determine if those fees are still appropriate based on City finances and the community needs.

Where direct beneficiaries of a city program or services can be identified, fees will be established to recover the costs of that program or service. Fees will also be set in a manner that protects taxpayers from subsidizing special service users. A fee shall be charged for any service that benefits limited interests within the community, except for human needs type services to individuals with limited ability to pay.

Rental fees will be established to recover full cost of use of the property or facility. Fees related to the rental of City properties may be waived only through approval of the City Administrator. The waiver of fees will only be provided if the purpose of the rental or its associated event will benefit the community at large.

Some services provide greater benefit to the community. When a greater community benefit is identified, the Council may choose to subsidize, either whole or in part, such services.

3.4 Donations & Gifts

All donations provided to the City shall be presented to the City Council for approval per [RCW 35.21.100](#), except for those donations as defined and Tree and Bench Sponsorship Program. City staff will prepare a summary of the donation and donor(s) for City Council approval, including any terms and conditions attached to the donation and a recommended use for the proceeds or item.

3.4.1 Substantial Gifts

The City of Snohomish seeks to recognize donors who, through a distinguished effort or substantial financial gift, wish to support a City facility or structure. For example, structures may include pavilions, shelters, plazas, real estate to be used for parks, trails or open space, interpretive areas, or active recreation; or other large-scale projects as discussed with the Advisory Boards and City Council. The following guidelines will be used for recognizing donations for amenities or projects, in addition to defining the period of time in which the donation or gift will be received by the City.

For the purposes of this policy, “Substantial Financial Gift” is defined as at least 50% of the estimated cost of:

- New construction, remodeling, or renovation;
- Developing a new real property, such as park buildings, structures, or real estate; or
- Replacement of an existing, unnamed facility or landmark that requires substantial renovation at the time of the gift.

3.4.2 Donation Funded Projects

The City of Snohomish will review projects that are proposed by private individuals or groups, where the project funding source will come from donations collected by the individual or group, (e.g., trees, park benches and other equipment or fixtures) on a case-by-case basis. For donation-funded projects that adhere to the Tree and Bench Sponsorship Program, staff will review and administratively approve projects as defined by the program. For all other donations, staff will review the donation project with the Mayor (or designee) prior to City Council acceptance and oversee the donation funded projects according to administrative procedures.

3.5 Grants Management Policy

Leveraging City and community resources with external financial assistance can enhance the quality and level of public services, facilities and infrastructure. City Policy is to seek and accept grants and other financial assistance consistent with the City’s strategic priorities.

External assistance also carries with it the goals and restrictions of the grantor. Grant relationships are partnerships where the goals of both the City and grantor must be aligned. The benefits, costs and long-term implications of the partnership must be considered prior to formal application. The City’s Grants Management Policy involves the following steps:

Search – City department staff and officials are encouraged to actively search out and identify potential grants which may further the City’s vision and goals, within the City’s financial limitations.

Pre-Application – Department Directors and staff shall pursue grants within their purchasing authority identified in City Purchasing Policies. The City Administrator shall be advised of all grant considerations over \$10,000.

Formal Application – Formal applications directly by the City, or indirectly by other agencies involving the City, must fall within Departmental Purchasing levels. All grants will seek reimbursement of direct cost departmental and City wide indirect or administrative costs to the maximum extent allowable by the grantor. Grants that require a match of City funds not already budgeted, would create a new program, and/or add personnel require Council approval prior to application.

Award and Contract – Upon formal Notice of Grant Award (NOGA) or informal notification, a written contract must be approved prior to any City commitment, formal or otherwise. All grant contracts must be within the City’s Purchasing levels. Any needed budget amendments for grant match not otherwise within general budget authority shall be adopted prior to formal grant acceptance and contract signing.

Accounting and Reporting – City departments shall coordinate with Finance to assure that grants comply with Federal, State and local requirements for timely reimbursements, monitoring of vendors and sub recipients, as well as City Purchasing Policies. Any notification of audit of grant programs or funds should be sent to the Finance Director, even if the audit is coordinated in another department.

Close Out – Multi-year grants shall have periodic accounting reviews not less than at the close of each fiscal year. Upon conclusion of each grant, the Department grant manager shall prepare a grant close-out report in coordination with the City’s Finance Department. A complete grants management file record shall be maintained per City policy.

The Federal Awards Standards, Procurement Policy and Code of Conduct Policy for all Federal Loans and Grants are detailed in Appendix A.

4.0 Financial Planning

The City will develop a 5-year Financial Plan and Forecast Model based on these financial policy guidelines and a best estimate of likely revenues and expenditures. The model will be used to test policies against likely surrounding economic conditions. The model will be used for long-range financial planning and is not a replacement for budgeting.

The City’s financial planning will include the current biennial budget plus two additional biennial budget cycles of projected data. Updates to this projection will be done biennially using best practices as defined by the Government Finance Officers Association.

The long-range financial plan operating revenues and expenses will include data for the General Fund. In addition to ongoing revenues and expenses, this forecast will utilize assumptions that forecast general obligation debt and general fund contributions to capital projects.

Economic assumptions will be influenced by reliable and relevant sources, such as the Washington State Economic and Revenue Forecast Council. The long-range financial plan should present trends and projections in key financial indicators, such as:

- Revenues and expenses per capita including nominal and inflation adjusted data.
- Staffing levels per 1,000 population: total and by major department.
- Projected annual growth rates of revenues and expenses including personnel costs.

The long-range financial plan may include comparisons to other cities and benchmarks, recognizing that the data for comparable cities may reflect differences in service delivery, financial structure and financial policies. Comparative information may include:

- Revenues and expenses by major type;
- Total revenues and expenses per capita; and/or
- Taxes per capita by tax source.

5.0 Expenditures

The City will maintain expenditure categories according to state statute and administrative regulation. Capital expenditures shall meet the requirements of generally accepted accounting principles (GAAP).

Prior to any expenditures, the City requires that appropriate approvals are made, all state and City purchasing requirements are met, and budget appropriations exist. Any expenditure made without authorized budget authority and appropriate approval cannot be paid. In the event of a declared emergency, approval procedures may be temporarily waived or modified per the adopted Comprehensive Emergency Management Plan (CEMP).

5.1 Procurement

Purchases of goods, services and capital items will be made consistent with the annual budget appropriations, state and federal law, the City's Purchasing Policy and the State Auditor's requirements. The City's Purchasing Policy will outline the spending and contracting authority limits. Any purchases or contracts above those authority limits must be authorized in advance by City Council (some exceptions for public emergencies will apply). The Mayor may delegate spending authority within their limits to the City Administrator and/or Department Heads to facilitate operating efficiency.

The City Administrator and Department Directors or Managers purchase goods and services at a reasonable cost, using an open, documented, and competitive process whenever reasonable and possible. The Finance Director is charged with developing administrative procedures to implement sound purchasing policies. These procedures will be based on guidelines provided in State Law and by the State Auditor's Office. All purchases made by the City will ultimately be approved by the Council through the voucher approval process.

Purchasing from local businesses and merchants is a high priority to support the economic vitality of the Snohomish business community. Whenever economically possible, local vendors will be included in the Purchase Contract Process, as per Ch. 39.04.190 RCW.

6.0 Debt

6.1 Long Term Debt

The City will manage its long-term debt in a manner designed to utilize its credit to optimize City services while balancing overall debt levels and annual debt service obligations. Long-term debt includes Bonds, Federal or State loans (e.g. PWTF, FHA), certain leases or lease-purchase contracts, or private placement financing. The City shall only use long-term debt for capital projects that cannot be financed out of current revenues. The City can issue general obligation debt, which is secured by the full faith and credit and ad valorem taxing power of the City, as well as revenue bonds, which are secured by specific enterprise revenues. General obligation (GO) Bonds can be either voter approved (Unlimited Tax General Obligation), with a dedicated tax levy, or councilmanic (Limited Tax General Obligation). Councilmanic debt can be repaid with any legally available source.

Prior to City Council approving a long-term debt issuance, the City will adopt a comprehensive debt policy. The policy will be reviewed before any subsequent issue of debt.

Debt financing will generally be limited to one-time capital improvement projects and only under the following circumstances:

- The financing term shall not extend beyond the estimated useful life of the project being financed, and shall not exceed 30 years unless special circumstances arise warranting the need of a longer debt schedule.
- When project revenue or specific resources as identified will be sufficient to service the debt.
- When projects greater than \$100,000 cannot be financed on a pay-as-you-go basis from anticipated cash flows.

Debt financing will not be considered appropriate for:

- Current operating and maintenance expenses (except for issuing short-term instruments such as revenue anticipation notes or tax anticipation notes); and any recurring purpose (except as indicated above).
- Projects less than \$100,000 where funding is anticipated on a pay-as-you-go basis from anticipated cash flows or reserve balances.

The City's Limited (non-voted) General Obligation (LTGO) Debt Capacity per State Law is 1.5% of total assessed value.

6.2 Short Term Debt (Interim Financing, Transfers and Interfund Loans)

Short-Term debt is issued to provide interim cash flow for projects and/or operations when a known funding source is expected to be generated in the future. Options for interim or “bridge” financing may include:

- Bond Anticipation Notes (BANs) – issued in anticipation of a longer term bond issue
- Tax Anticipation Notes (TANs) – issued in anticipation of future tax receipts
- Revenue Anticipation Notes (RANs) – issued in anticipation of future revenue collections
- Lines of Credit with major financial institutions – can be used to provide cashflow for any authorized use, provide more flexibility than other interim financing options
- Interfund Loans (see below)

General Fund transfers to other funds are intended as payments for the support of specific programs or services. Amounts not needed to support such specific program or service expenses will remain in the General Fund’s fund balance. For example, the General Fund may make transfers to the Debt Fund to fund annual debt service payments or to the Municipal Capital Fund or Streets Capital Fund to fund related projects or programs.

Interfund loans are temporary in nature. The requirements for interfund loans are as follows:

- The Council must approve all interfund loans by resolution. The resolution will include a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest to be paid to the lending fund.
- The borrowing fund must reasonably be able to anticipate sufficient revenue to repay the principal and interest payments as required by the authorizing resolution.
- The rate of interest should not be lower than the “opportunity cost” if the funds were otherwise invested, such as the LGIP (Local Government Investment Pool) rate or a bank CD rate for a similar term; not higher than the external rate available to the municipality.
- Interest is not required in the following circumstances:
 - If the borrowing fund has no independent source of revenue other than the lending fund;
 - The lending fund is the General Fund, which, being unrestricted, can provide interest free loans to other funds.
- The term of the interfund loan will not exceed three years. Any interfund loans that are not repaid within three years will be scrutinized for a “permanent diversion” of moneys. (Note: These restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

For short-term cash deficits in non-General Fund operating funds during the course of the year, City interfund loans are preferable to outside short-term or private sector lines of credit.

7.0 Banking & Investments

The Finance Director will oversee and manage all City of Snohomish banking accounts within administrative procedures.

7.1 Investments and Cash Management

The Finance Director shall develop cash management systems to ensure accurate and timely accounting for all cash and security of all cash assets. Careful financial control of the City's daily operations is an important part of the City's overall fiscal management practices. 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 operating period.

The City's cash management and investment guidelines are as follows:

- The City will maintain a cash management program, which includes internal control practices for collection of accounts receivable, disbursement of funds, and prudent investment of its available cash.
- The Finance Director serves as the investment officer of the City. The Finance Director is authorized to oversee the investment program and to develop operating procedures to administer the program. The Finance Director may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to one or more subordinates as outlined in the investment program operating procedures. All participants in the City's investment process shall act responsibly as custodians of the public trust.
- As permitted by law and City ordinances, and to maximize the effective investment of assets, all funds needed for general obligations may be pooled into one account for investment purposes. The income derived from this account will be distributed to the various funds based on their average fund balances on a periodic basis.

7.2 Electronic Funds Transfer (EFT) Policy

Electronic payment methods are a safe and efficient method to process disbursements and receive payments for City business. City policy is to establish the best methods to process payments to employees and vendors. In addition, City policy is to establish the best methods to receive payments from customers and vendors. Electronic payment methods may include Electronic Funds Transfer (EFTs), Automated Clearing House (ACH), Wire Transfers, credit card and debit card.

The Finance Director will maintain administrative procedures to manage sound electronic fund transfer policies and procedures.

8.0 Auditing, Accounting & Internal Controls

8.1 Accounting & Internal Controls

The City will establish and maintain a high standard of internal controls and accounting practices. The City budgets and accounts for revenues and expenditures on a cash basis.

The accounting system will maintain records consistent with the accepted standards for local government accounting and the State of Washington Budgeting, Accounting, Reporting Systems (BARS) Manual, ensuring compliance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB).

Regular quarterly financial reports summarizing revenues and expenditures will be prepared and presented to the City Council. If there is a significant economic downturn resulting in a revenue decline that cannot be absorbed within the adopted budget, then a monthly financial status report will be prepared and presented to the City Council for as long as deemed necessary. Such reports will be available on the City's website.

8.2 Auditing

The City will ensure that its financial records are audited annually by the Washington State Auditor's Office (SAO). The results of the audit will be made available to the public via the SAO's website.

8.3 Asset Management

Real property, titled vehicles and utility system components shall be considered capital assets. All other property, with a value of \$5,000 or more and a useful life of three years or more shall be considered capital. Small attractive assets are tangible assets costing less than \$5,000 but more than \$350 that are particularly vulnerable to loss, such as electronic devices (e.g. computers, iPads, printers) and equipment. The City will maintain a capital asset inventory system(s) that includes records for all inventoriable assets. A physical inventory of capital assets and all small attractive assets will be conducted at least every two years to comply with auditing standards.

8.3.1 Surplus Assets

The Mayor or designee may administratively surplus non-public utility office equipment, computer equipment, small tools, computer software and minor equipment with a value of less than \$5,000. Titled vehicles, real property, and any City property with an assessed surplus value of greater than \$5,000 will be surplus by the City Council by resolution. The process for surplus assets is defined in administrative procedures. The Finance Director shall be responsible for the accounting of all surplus property transactions.

8.3.2 Surplus or Inter-governmental Disposition of Public Utility Assets

Titled vehicles, real property, and equipment originally acquired for public utility purposes, that are no longer needed for providing public utility service, and have an estimated value of less than \$50,000 shall follow the process in Section 8.3.1 above. Titled vehicles, real property, and equipment originally acquired for public utility purposes with an estimated value of fifty thousand dollars (\$50,000) or more must be surplus in accordance with RCW 35.94.040.

APPENDIX A

A.1. Federal Award Standards

PURPOSE -- Establish and maintain internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all federal regulations and with the terms and conditions of the award. The City will follow the Uniform Guidance, the Local Agency Guidelines (LAG) distributed by the Washington State Department of Transportation (WSDOT), and the City of Snohomish's Financial Management Policy Guidelines.

INTERNAL CONTROLS -- The City of Snohomish will maintain effective internal control over the Federal award providing reasonable assurance that the City of Snohomish is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The City will take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings. The City will also take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or passthrough entity designates as sensitive.

ADVANCE PAYMENTS AND REIMBURSEMENTS -- Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the City whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Advanced payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the City to carry out the purpose of the approved program or project. Any advanced payments must be consolidated to cover anticipated cash needs. The City shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

ALLOWABLE COSTS -- Federal awards will meet the following general criteria to be allowable except where otherwise authorized by statute:

- Be necessary and reasonable for the performance of the Federal award;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both Federally- financed and other activities of the City;
- Be accorded consistent treatment;
- Not be included as cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period; and
- Be adequately documented.

SINGLE AUDIT ACT -- The City of Snohomish, as a recipient of Federal funds, shall adhere to the Federal regulations outlined in 2 CFR §200.501 as well as all applicable Federal and State statutes and regulations.

CLOSURE -- A project agreement end date will be established in accordance with 2 CFR §200.309. Any costs incurred after the project agreement end date are not eligible for Federal reimbursement.

A.2 Code of Conduct

The purpose of the Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

APPLICATION -- This Code of Conduct applies to all elected officials, employees or agents of the City engaged in the award or administration of contracts supported by federal grant funds.

REQUIREMENTS -- No elected official, employee or agent of the City shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following has a financial or other interest in the firm selected for award:

- The City employee, elected official, or agent;
- Any member of their immediate family;
- Their partner; or
- An organization which employs, or is about to employ, any of the above.

The City's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or subcontractors.

REMEDIES -- To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions (up to and including employment or contract termination) to be taken against the City's elected officials, employees or agents, or the contractors, potential contractors, subcontractors or their agents. Any potential conflict of interest will be disclosed in writing to the Federal awarding agency or passthrough entity in accordance with applicable Federal awarding agency policy