CITY OF WASHOUGAL
CITY COUNCIL WORKSHOP
Monday, August 11, 2025
5:00 PM

MEETING INFORMATION
Please click the link below to join the webinar:
https://us02web.zoom.us/j/87096217219

I. CALL TO ORDER

II. ROLL CALL

III. PUBLIC COMMENTS

IV. NEW BUSINESS

A. Public Works: Supplemental Professional Services Agreement with Wallis Engineering for Engineering Services

B. Finance: Financial Policy Update

V. REPORTS AND COMMUNICATIONS

A. CITY MANAGER

B. MAYOR

C. CITY COUNCIL

VI. ADJOURNMENT

UPCOMING MEETINGS: Monday, August 25, 2025 - Workshop at 5 PM & Council at 7 PM

BUSINESS OF THE CITY COUNCIL

City of Washougal, Washington

FOR AGENDA OF:
8/11/2025

SUBJECT:
Public Works: Supplemental Professional Services Agreement with Wallis Engineering for Engineering Services

DEPT. OF ORIGIN:
Public Works

REVIEWED AT:

TO BE RETURNED TO COUNCIL:

Yes

ATTACHMENTS:
1. Wallis Amendment PowerPoint
2. SPSA #3 On-Call Engineering Services - Wallis

EXPENDITURE REQUIRED:	BUDGETED:	APPROPRIATION REQ'D:
Type Here	Type Here	Type Here

SUMMARY STATEMENT

The City is requesting an amendment to the existing On-Call Engineering Services contract to incorporate additional project costs for several previously approved capital projects. This contract, originally approved by Council on November 6, 2023, streamlines project delivery and reduces staff workload by utilizing a single consultant for both state and locally funded projects, as well as provide general assistance to the Engineering Department as needed.

The amendment would increase the contract value by $948,000, and cover the following project costs: Shepherd Road Design ($770,000), 3rd Street Waterline ($61,000), 2025 Stormwater Annual Repair ($81,000), and Hyas Point Construction Support ($36,000 - Development-funded project, not City-funded).

RECOMMENDED ACTION

Approval of an amendment with Wallis Engineering for an amount of $948,000 and a total contract amount not to exceed $1,948,000 for FY 2025. Staff would recommend that the city council authorize the city manager to execute the amendment with Wallis Engineering for an amount of $948,000.

Wallis Budget Amendment

08-11-25 – City Council Workshop| Presented by Scott Collins, City Engineer

City of Washougal

MISSION STATEMENT

Our mission is to provide fiscally responsible services that promote our vision of a safe and beautiful community that can be enjoyed for generations to come.

Wallis Engineering On-Call Overview

- Extensive process to secure an engineering contract with amount of projects.
- Excess time on city staff to draft, post, review, rate and execute proposals/agreements.
- On-Call Process saves city staff time by having one consultant handle state and locally funded projects.
- Contract Value: $500,000 added per year for a two year period with an additional one-year extension.
- Approved by council on November 6, 2023

Additional Needs

- ***Shepherd Road:***
  - $770,000
- ***3rd Street Waterline:***
  - $61,000
- ***2025 Stormwater Annual Repair***
  - $81,000
- ***Hyas Point Construction Support:***
  - $36,000

Total Additional Needs: $948,000

Funding – *all additional costs are in current approved capital budgets or pass through to developers (no budget implications)*

Shepherd Road

Description:

Project widens the north side of Shepherd to provide 8ft wide on street parking stalls and a 10ft shared use path for bike/peds. Project also includes ADA ramp upgrades, drainage improvements and traffic calming measures.

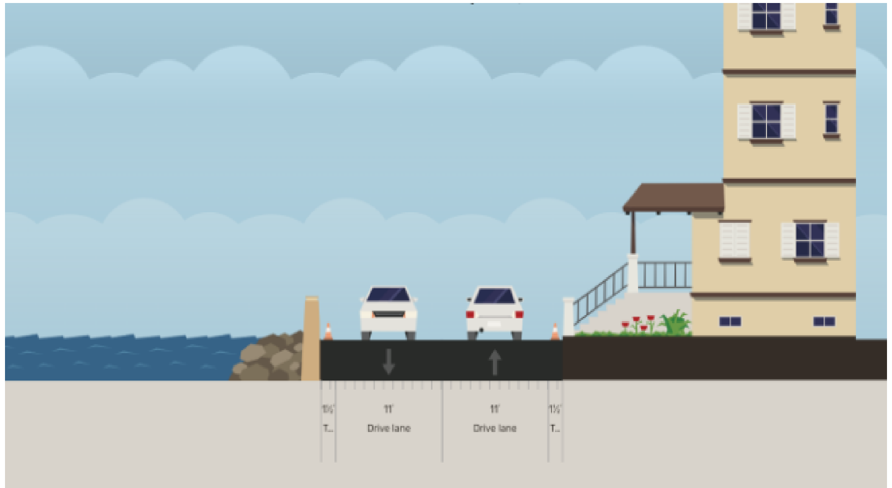
Funding: State (TIB) / Local (TIF)

Phase	*Estimated Costs*
Design Engineering	$700,036
ROW	$140,000
Construction Eng	$270,000
Construction Contract	$3,232,258
Total	***$4,342,294***

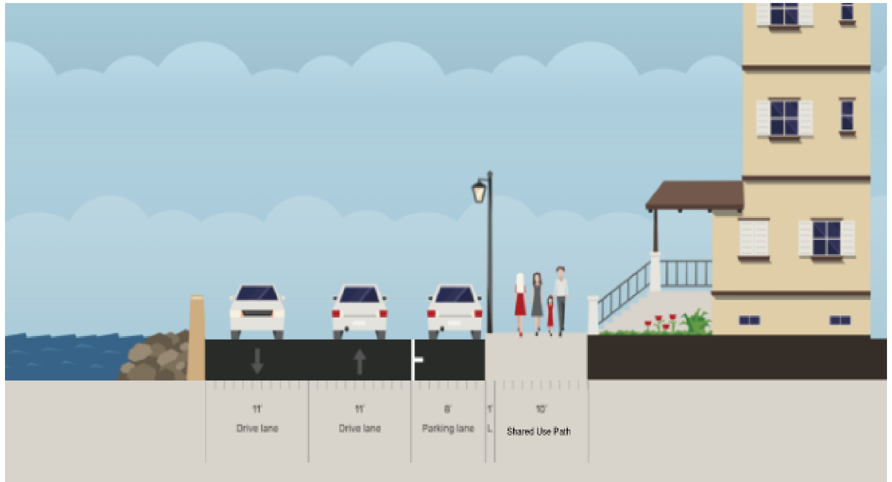
Wallis Breakdown:

30% Design - $340,036 (Currently Funded)

Final Design - $770,000 (Potentially Needed)

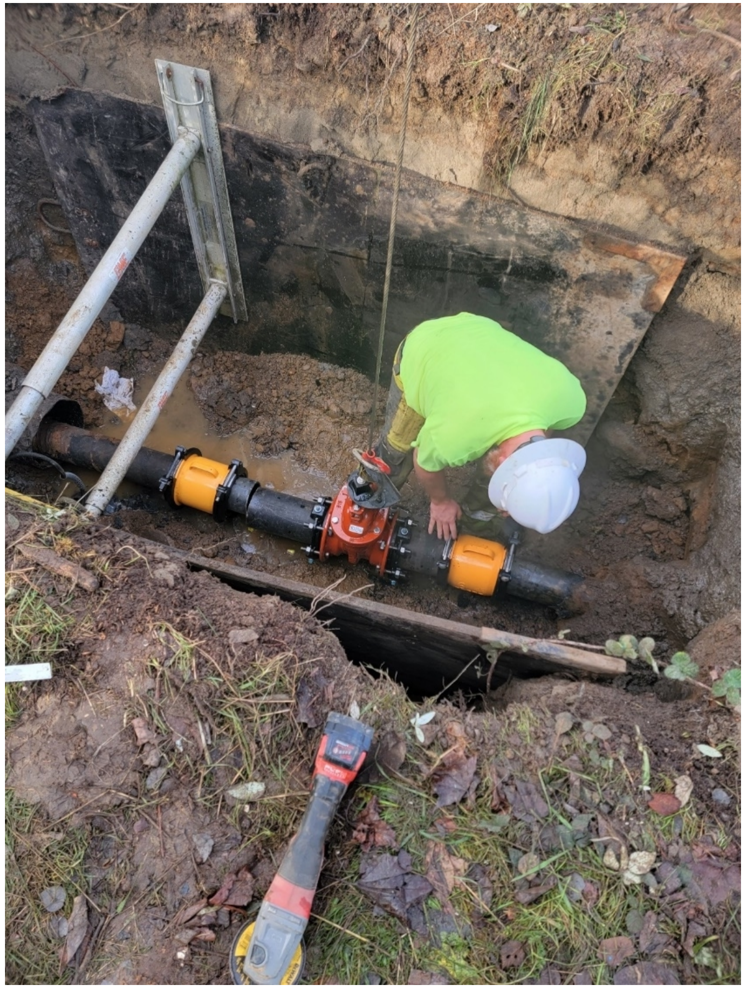


Existing Typical Roadway Section



Proposed Typical Roadway Section

3rd Street Waterline



Description:
This project involves 1,420 feet of new 12” water main to loop the southwest portion of the water system within 3rd Avenue that starts at 4th Street and extends to Shepherd road.

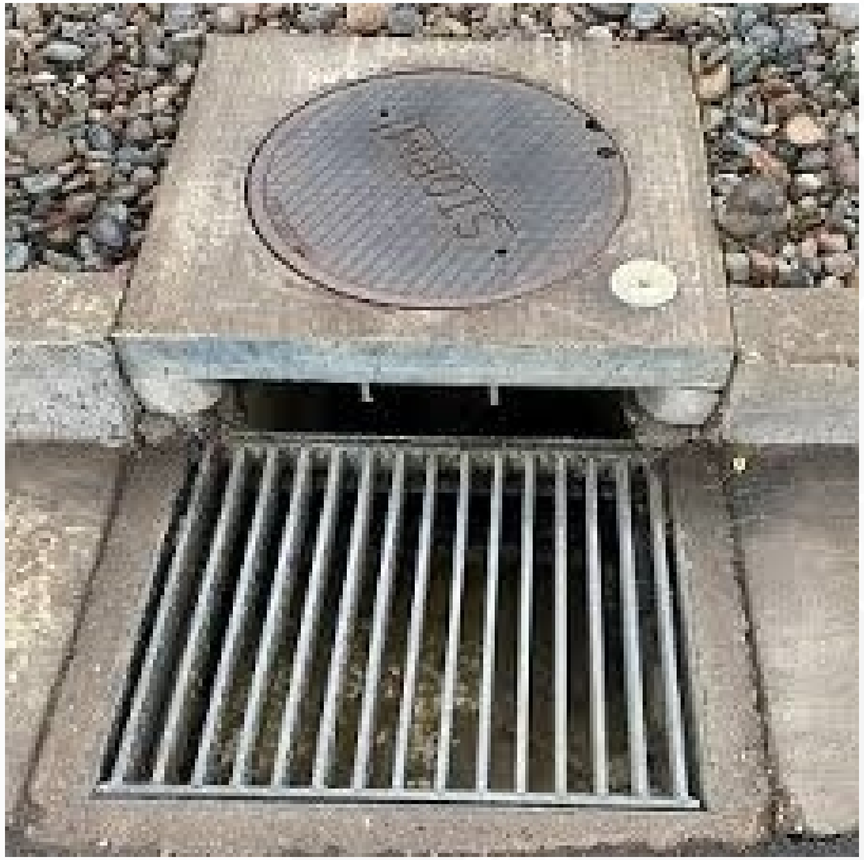
Funding: Local (Water)

Phase	*estimate*
Design Engineering	$128,856
ROW	$0
Construction Eng	$15,000
Construction Contract	$728,644
Total	***$872,500***

Wallis Breakdown:
Civil Design - $ 67,856 (Currently Funded)
Permitting/Structural/Etc. - $61,000 (Needed)

2025 Annual Stormwater Repair

Description:
This project replaces the existing aging catch basins & drainage infrastructure at various locations throughout the City.



Funding: Local (Storm)

Phase	*Estimated Costs*
Design Engineering	$81,000
ROW	$0
Construction Eng	$9,960
Construction Contract	$150,000
Total	***$240,960***

Wallis Breakdown:
Civil Design - $81,000 (Needed)

**The 2024 Annual Stormwater Project included initial design work, such as geotechnical borings and drywell registration with the State. Additional funding is required to complete the design.*

Hyas Point

Description:
Hyas Point is a 21-acre waterfront redevelopment transforming a former brownfield into a walkable, mixed-use community with residential, commercial, and retail spaces.

Funding: N/A (Development)

Construction Inspection Support:
$9,000 per month at current inspection rate

***All costs are pass thru and get reimbursed by developer; no cost to the City**

Wallis Breakdown:
Construction Inspection - $91,375 (Currently Funded)
Construction Support Additional - $36,000 (Needed)

Recommendation

Approval of an amendment with Wallis Engineering for an amount of $948,000 and a total contract amount not to exceed $1,948,000 for FY 2025. Staff would recommend that the city council authorize the city manager to execute the amendment with Wallis Engineering for an amount of $948,000.

Wallis Budget Amendment

08-11-25 – City Council Workshop| Presented by Scott Collins, City Engineer

City of Washougal

City of Washougal
PUBLIC WORKS PURCHASING

Contract Information Form *(This Form Must Accompany Every Contract)*

Contract Title: SPSA #3 On Call Engineering Services
Vault Filing Number: ____________

Vendor Name: Wallis Engineering
Vendor Number: 208

Contract Overview: SPSA #3 On Call Engineering Services
Contract Total: $948,000.00

Project Manager: Scott Collins Ext: 230 Department: Public Works

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Project Number: Multiple

Budget Code(s): Multiple

Engineer's Project Estimate: $ ____________

Contract Price: $ $948,000.00 (Not to Exceed $2,098,000.00)

Type of Procurement Method: Supplemental PSA

Project specifically identified in approved budget: N/A ☐ YES ☐ NO ☑ * if NO see below if project cost is greater than **$50,000** for public works, professional services, and personal services.

Does project change exceed administrative discretion threshold? N/A ☐ YES ☑ NO ☐

If project exceeds administrative threshold, was it approved by Council? YES ☑ NO ☐ Click here to enter a date.

SUPPLEMENTAL PROFESSIONAL SERVICES AGREEMENT NO. 3

This Supplemental Agreement modifies the Professional Services Agreement (AGREEMENT) between Wallis Engineering (Contractor) and City of Washougal (OWNER) signed October 31, 2023, for a PROJECT known as On-Call Engineering Services.

The following modifications are made to the PROFESSIONAL SERVICES AGREEMENT, and all other terms and conditions remain unchanged:

Amend the contract to increase the total amount by an additional $948,000, resulting in a revised not-to-exceed amount of $2,098,000.00. The additional scope of work shall include the Shepherd Road Improvements, 3rd Street Waterline, 2025 Stormwater Design Services, and Hyas Point Construction Support Services.

The Agreement shall be amended per this Supplemental Agreement. The fixed fee for this additional work shall not exceed $948,000.00 as outlined in the attached Supplemental Scope of Work.

The Contractor shall be registered with the Department of Homeland Security E-Verify program. The Contractor shall provide a fully executed Declaration of Participation in E-Verify Form to the City. If the Contractor described herein uses a subcontractor in connection with the performance of the Contract, the subcontractor shall, as a condition of the Contract, certify their participation in the E-Verify program by submitting a Declaration of Participation Form. The Contractor and any subcontractors will not knowingly employ or contract with an unauthorized alien.

IN WITNESS WHEREOF this Supplemental Agreement is made and executed this _____ day of __________________, 2025.

BY: ________________________
City Manager

Consultant: ________________________

BY: ________________________

Title: ________________________

ATTEST: ______________________________
City Clerk

Approved as to Form:

____
City Attorney

From: Wes Wegner <wes.wegner@walliseng.net>
Sent: Thursday, June 19, 2025 11:46 AM
To: Scott Collins <Scott.Collins@cityofwashougal.us>
Subject: Washougal - Project Budgets to Complete Current Projects

External Email Warning! Use caution before clicking links or opening attachments.

Scott,

We put together budgets for the remaining projects needed this year/next year. A summary is as follows:

- Shepherd Road:
  - $225,000 for final design
  - $135,000 for permitting needs. This estimated based on wetland and waterway impacts found during the early design efforts.
  - $140,000 for ROW needs. Largely unknown at this point what permanent and temporary ROW needs we will have based on survey information and discrepancies with Clark County GIS.
  - $270,000 for full CM and inspection support. We haven't really talked about this. Throwing this budgetary number in assuming you would want Wallis to handle everything.
  - **Total: $770,000**
  - See attached for additional detail.
- 3rd Street Waterline:
  - Permitting/Structural/etc: $61,000
  - Civil design is already budgeted.
  - No construction support included.
- 2025 Stormwater:
  - Design: $81,000
  - No construction support included.
- Hyas Point Construction Support:
  - Assuming $9k per month at current inspection frequency from July through October: $36,000

Worth noting that I have full scopes and fees prepared for the stormwater and 3rd Street waterline supplements. When you receive approval for additional funds, I can send these over and get this work started. Grand Total for all work summarized above **is $948,000**. Most of this is tied to Shepherd. Let's plan to discuss tomorrow when we check in on River Ridge. Happy June-teenth.

wallis engineering

Wes Wegner, PE
Senior Engineer

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Direct 360.852.9160
Office: 360.695.7041
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Vancouver, WA 98660

www.walliseng.net

Shepherd Road - Conceptual plan rough cost

6/17/2025

	QTY	Unit	Rough Unit Cost	Total	Notes
Retaining wall	1219.81	LF	$ 750.00	$ 914,857.50	wall height range from 0-8', assumed 5' average structural concrete wall
Storm conveyance	5321.57	LF	$ 150.00	$ 798,235.50	
Pathway	44743.44	SF	$ 12.00	$ 536,921.28	
Pavement	44405.1	SF	$ 15.00	$ 666,076.05	
Tree removal	44	EA	$ 3,000.00	$ 132,000.00	
Relocate Pole	28	EA	$ -	$ -	Assumed that pole relocation will be covered by the franchise utilities.
Driveways	39	EA	$ 20,000.00	$ 780,000.00	
Stormwater management	4457.43	SF	$ 50.00	$ 222,871.28	assumed at 5% of new impervious
Additional stormwater management for NMFS compliance	1.00	LS	$ 300,000.00	$ 300,000.00	NMFS requires treatment and detention of all runon touched by the project. This could result in significantly enlarged stormwater facility requirements. Impact TBD
Permanent ROW	14	Properties	$ 10,000.00	$ 140,000.00	Unknown exact number of ROW acquisitions required. Included properties where Row width is in dispute. Assumed no federal process. Purchase costs
Temp ROW	43	Properties	$ 500.00	$ 21,500.00	Assumed TCE required for all fronting properties. Assumed no federal process. Assumed no ROW file

Subtotal	**$ 4,512,461.61**	
Design (60-Final)	$ 225,623.08	5%
Permitting	$ 135,373.85	3%
ROW acquisition	$ 140,000.00	$10000/perm ROW acq.- Agent costs
CM & Inspection	$ 270,747.70	6%
Total	**$ 5,284,206.23**	

BUSINESS OF THE CITY COUNCIL

City of Washougal, Washington

FOR AGENDA OF:
8/11/2025

SUBJECT:
Finance: Financial Policy Update

DEPT. OF ORIGIN:
Finance

REVIEWED AT:

TO BE RETURNED TO COUNCIL:

No

ATTACHMENTS:

1. DRAFT Washougal Financial Policies 2025

SUMMARY STATEMENT

RECOMMENDED ACTION

City of Washougal's Financial Policies as of August 25, 2025

Statement of Purpose

The financial integrity of our City government is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. Our City has evolved with a variety of financial policies that can be found in many different sources, including Washougal Municipal Code, Council Resolutions and Ordinances, Budget documents, Personnel Policies, the Capital Improvement Plan, and various other accounting policies. The set of policies within this document serve as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, garnering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency, and effectiveness.

Financial Goals

The City of Washougal's financial goals seek to:

- Ensure the financial integrity of the City
- Manage the financial assets in a sound and prudent manner
- Improve financial information for decision makers at all levels:
    - Policy makers as they contemplate decisions that affect the City on a long-term basis
    - Managers as they implement policy on a day-to-day basis
- Maintain and further develop programs to ensure the long-term ability to pay all costs necessary to provide the level and quality of service required by the citizens
- Maintain a spirit of openness and transparency while being fully accountable to the public for the City's fiscal activities

City of Washougal's Financial Policies as of August 25, 2025

Financial Policies

Washougal's financial policies address the following major areas:

I. General Policies
II. Revenue Policies
III. Expenditure Policies
IV. Operating Budget Policies
V. Capital Management Policies
VI. Accounting & Financial Reporting Policies
VII. Debt Policies
VIII. Communication Policy
IX. Compliance Policy
X. Investment & Cash Management Policies
XI. General Fund Reserve Policies

I. General Policies

1. The City Council may adopt resolutions or ordinances to set financial policies to assure the financial strength and accountability of the City.
2. The City Manager shall develop administrative directives and general procedures for implementing the City Council's financial policies.
3. All City Departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
4. Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the state and federal levels.
5. Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
6. The City will strive to maintain fair and equitable relationships with its contractors and suppliers.

II. Revenue Policies

Design, maintain, and administer a revenue system that will ensure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

General Revenues

1. Current revenues will be sufficient to support current expenditures. The City will try to maintain a diversified and stable revenue system as permitted by state law to protect programs from short-term fluctuations in any single source.
2. Because revenues, especially those in the General Fund, are sensitive to both local and regional economic activities, revenue estimates provided to the City Council shall be conservative.
3. General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by City Council or required by law or generally accepted accounting practices (GAAP).
4. If revenues from "one-time" or limited duration sources are used to balance the City's annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the City's goal not to rely on these types of revenues to balance the operating budget.
5. The City will not use deficit financing and borrowing to support ongoing operations in the case of long-term (greater than one biennial budget cycle) revenue downturns. Revenue forecasts will be revised and expenses will be reduced to conform to the revised long-term revenue forecast or revenue increases will be considered.
6. The City will follow an aggressive and professional policy of collecting revenues. When necessary, discontinuing service, small claims court, collection agencies, foreclosure, liens and other methods of collection, such as imposing penalties, collection and late charges, may be used.

Fees and Charges

7. Enterprise and Internal Service operations will be self-supporting.
8. The City will maximize the use of service users' charges in lieu of ad valorem (property) taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided.
    a. Charges for providing utility services shall be sufficient to finance all operating, capital outlay, and debt service expenses of the City's enterprise funds, including operating contingency, planned capital improvements, and reserve requirements.
    b. User charges shall fund the direct cost of development review and building activities. User charges include, but are not limited to, land use, engineering inspection, building permit, and building inspection fees. Permit fees shall not be used to support other governmental services.
    c. Park recreation programs shall be funded by user charges and shall be

comparable to neighboring cities where practical.

d. Other reimbursable work performed by the City (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.

e. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The City shall maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges, and utility rates will be reviewed every five years at a minimum.

f. The City will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.

g. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.

<u>Grants and Gifts</u>

9. Grant funding for programs or items that address the City's current priorities and policy objectives should be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs.

10. Before accepting any grant, the City shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.

11. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended in accordance with the City's Donation Policy and the wishes and instructions of the donor.

III. Expenditure Policies

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

1. The City will strive to adopt a biennial budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues or capital reserves.

2. Department Directors are responsible for managing their budgets within the total appropriation for their department.

3. The City will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. The City Council may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in

cash flow, although this will be avoided if possible.

4. Long-term debt or bond financing shall not be used to finance current operating expenditures.
5. The City will assess funds for services provided internally by other funds. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund.
6. Emphasis will be placed on improving individual and work group productivity rather than adding to the workforce. The City will invest in technology and other efficiency tools to maximize productivity. The City will hire additional staff only after the need for such positions has been demonstrated and documented\
7. All compensation planning and collective bargaining will focus on the Total Cost of Compensation (TCC) which includes direct salary, health care benefits, pension contributions, and other benefits that are a cost to the City. The rate of increase of TCC of negotiated labor contracts will be the same or less than the growth rate in revenues projected in the Ten-year Forecast so as not to add to the structural gap. Contracts presented for approval by the City Manager that do not meet these requirements will have specific operational, legal or other compulsory items identified and discussed before ratification by the City Council will be considered.
8. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective shall be adjusted to improve efficiency and effectiveness.
9. Whenever feasible, government activities will be considered enterprises if so doing will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.
10. The City will make every effort to maximize any discounts offered by creditors/vendors. Staff will also use competitive bidding per the Procurement Policy to attain the best possible price on goods and services.

IV. Operating Budget Policies

1. The City Council will adopt and maintain a balanced biennial operating budget.
2. The City will strive to adopt a budget where current annual operating revenues will be equal to or greater than current operating expenditures.
3. Balanced revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass ten years and will be updated annually.
4. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one biennial budget cycle, the planned use of

reserves to balance the budget is permitted. If a budget shortfall is expected to continue beyond one biennial budget cycle, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.

5. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital expenditures and/or "one-time" only expenditures.
6. The City will provide for adequate maintenance and the orderly replacement of capital assets and equipment.
7. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget will provide the staff with the resources necessary to accomplish Council-determined service levels.
8. As mandated by RCW35A.34.080, the City Manager shall biennially present a proposed budget to the City Council at least sixty days before the beginning of the biennium. The City Council must adopt by ordinance a final balanced budget no later than December 31st. The City must prepare a mid-biennial review and modification for the second budget year, as mandated by RCW 35A.34.130.
9. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the City Council.
10. Budget control and accountability is maintained at the departmental level.
11. The City Manager has the authority to approve appropriation transfers between programs or departments within a fund. In no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment. Amendments to the budget are approved by the City Council.

V. Capital Management Policies

Review and monitor the state of the City's capital equipment and infrastructure, setting priorities for replacement and renovation based on needs, funding alternatives, and availability of resources.

<u>Capital Improvement Plan</u>

1. The City shall prepare and maintain a six-year Capital Improvement Plan (CIP) in accordance with RCW 36.70A.070(3) and the Capital Facilities Element of the Comprehensive Plan. The CIP shall be reviewed and updated annually to ensure consistency with the City's growth strategy, infrastructure needs, and fiscal capacity.
2. The CIP shall include all capital projects necessary to maintain adopted levels of service (LOS) for public infrastructure and facilities. Additional projects may be included at the request of the City Council, provided they are consistent with established policy objectives and available resources.

3. Each project listed in the CIP shall include a complete project description, estimated costs, projected timeline, and identified or proposed funding sources. This information will support transparency, fiscal planning, and implementation readiness.
4. The City shall allocate funding only to the capital improvements that are consistent with the adopted CIP and aligned with City priorities. All anticipated operating and maintenance (O&M) costs associated with capital projects shall be incorporated into the City's operating budget forecasts to ensure long-term financial sustainability.
5. The City shall conduct an annual status review of the CIP. The Community Development Director or their designee, together with the Public Works Director or their designee, shall present a report to the City Council summarizing capital project progress, updated costs estimates, funding adjustments, and recommendations for CIP amendments as necessary.

Capital Asset Management

6. The City will maintain its capital assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
7. The capitalization threshold used in determining if a given asset qualifies for capitalization is $5,000 with a useful life over one year.

VI. Accounting & Financial Reporting Policies

Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes and with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA) where applicable.

1. The City uses the cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
2. The City will maintain expenditure categories according to state statute and administrative regulation. The City will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classifications.
3. Quarterly budget reports showing the current status of revenues and expenditures will be prepared and presented to the City Council, distributed to staff and management personnel in a timely manner, and made available for public inspection.
4. Full disclosure will be provided in all City financial reports and bond representations.
5. A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.

6. The Annual Financial Report will be prepared and submitted to the State Auditor's Office no later than 150 days from the end of the preceding fiscal year.
7. The Annual Financial Report will be prepared on the basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles. The report will provide full disclosure of all financial activities and related matters.
8. An annual financial audit shall be performed by the Washington State Auditor's Office, which will issue an official opinion on the annual financial statements. An annual accountability audit (i.e., accountability for public resources and compliance with state laws and regulations and its own policies and procedures) shall be performed by the Washington State Auditor's Office.
9. The City's budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units, and as a communications device for all significant budgetary issues, trends and resources. It should be a goal of the Finance Department to submit the budget document to the Washington Finance Officers Association (WFOA) or Government Finance Officers Association (GFOA) Distinguished Budget Presentation program.

VII. Debt Policies

Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

<u>Purpose and Overview</u>

The Debt Policy for the City is established to help ensure that all debt is issued both prudently and cost-effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the City Council. Adherence to the policy is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations.

<u>Capital Planning</u>

The City shall integrate its debt issuance with its Capital Improvement Plan (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays, and competing projects. Long-term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the City shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

Legal Governing Principles

In the issuance and management of debt, the City shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

1. State Statutes – The City may contract indebtedness as provided for by State law, subject to the statutory and constitutional limitations on indebtedness.
2. Federal Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the Treasury Department regulations there under; and the Securities Acts of 1933 and 1934.
3. Local Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by local rules, policies, and regulations.

Roles & Responsibilities

The City Council shall:

- Approve indebtedness;
- Approve the Financial Policy, including the section on the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and

The Finance Director in consultation with the City Manager, Finance Committee, and the Council, shall:

- Assume primary responsibility for debt management
- Provide for the issuance of debt at the lowest possible cost and risk;
- Determine the available debt capacity;
- Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the City Council the manner of sale of debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate.
- Comply with all Internal Revenue Service (IRS), Securities and Exchange (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt.
- Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
- Provide for and participate in the preparation and review of offering documents;

- Comply with all terms, conditions, and disclosures required by the legal documents governing the debt issued;
- Submit to the City Council all recommendations to issue debt;
- Provide for the distribution of pertinent information to rating agencies;
- Comply with undertakings for ongoing disclosure pursuant to SEC Rule 15c2-12
- Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct

The members of the City staff and the City Council will adhere to the standards of conduct as stipulated by the Public Disclosure Act, RCW 42.17 and Ethics in Public Service, RCW 42.52.

Types of Debt Instruments:

The City may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of City Council, the City is authorized to sell:

1. **Unlimited Tax General Obligation Bonds** – The City shall use Unlimited Tax General Obligation Bonds (UTGO), also known as "Voted General Obligation Bonds" for the purpose of general purpose, open space and parks, and utility infrastructure. Voted issues are limited to capital purposes only.

   Every project proposed for financing through general obligation debt should be accompanied by an analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose, plus validation requirements.
2. **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation debt (LTGO), also known as "Non-Voted General Obligation Debt", requires the City to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The City shall use LTGO Bonds as permitted under State law for lawful purposes only. General Obligation debt is backed by the full faith and credit of the City and is payable from non-voter approved property taxes and other money lawfully available. LTGO Bonds will only be issued if:
   a. A project requires funding not available from alternative sources;
   b. Matching fund monies are available which may be lost if not applied for in a timely manner; or,
   c. Emergency conditions exist.
3. **Revenue Bonds** – The City shall use Revenue Bonds as permitted under State law for the purpose of financing construction or improvements to facilities of enterprise (i.e., utility) systems operated by the City in accordance with the Capital Improvement Plan.
4. **Special Assessment/Local Improvement District Bonds** – In accordance with WMC 3.08, the City shall use Special Assessment Bonds as permitted under State law for the

purpose of assuring the greatest degree of public equity in place of general obligation bond where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and an LID Guaranty Fund, as required by State Law.

5. **Short Term Debt** – The City shall use short-term debt as permitted by State law to meet any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long-term funding has been secured but not yet received. The City may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. Per WMC 2.08.060, the Finance Director may authorize interfund loans up to $20,000 for a period not to exceed six months. All other inter-fund loans will be subject to Council approval. Interest will accrue at the same rate as the Washington State Local Investment Pool.
6. **Leases** – The City is authorized to enter into capital leases under State law, subject to the approval of City Council or as delegated to the City Manager.
7. **Other Federal and State Loans** – The City shall utilize other Federal and State funding sources, including loans, as permitted by law for the purpose of repairing, replacing or creating domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste/recycling facilities and bridges.

<u>General Requirements</u>

8. The City will not use long-term debt to pay for current operations. The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.
9. The term of the debt shall never extend beyond the useful life of the improvements to be financed.
10. General obligation debt will not be used for self-supporting enterprise activity. The general policy of the City is to fund general-purpose public improvements and capital projects that cannot be financed from current revenues with voter-approved general obligation debt. Non-voter-approved debt may be utilized when a dedicated revenue source other than general revenue can be identified to pay debt service expenses.
11. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds.

Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.

12. The City will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements. In no case will the City lease- purchase equipment whose useful life is less than the term of the lease.
13. The City will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The City will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
14. The City shall use refunding bonds in accordance with the Refunding Bond Act, RCW 39.53. Unless otherwise justified, the City will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 4% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any refunding, unless otherwise justified.
15. Interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an inter-fund loan as appropriate in the circumstances.
16. When issuing debt, the City shall strive to use special assessment, revenue or other self-supporting bonds in lieu of general obligation bonds.

Limitations on General Obligation Debt Issuance

17. The City shall remain in compliance with all debt limitations. As part of the annual budgeting process, a current summary of outstanding debt and compliance targets is prepared. The City shall observe the following limitations on debt issuance:
    - **General Obligation** – 2.5% of Assessed Value, from such amount 1.5% may be non-voted general obligation debt.
    - **Parks, Open Space, Community Center, Facilities for Economic Development** – (Voted) 2.5% of Assessed Value.
18. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligations bonds at or below 20 years, unless special circumstances arise that warrant the need to extend the debt schedule.

VIII. Communication Policy

1. It is the policy of the City to remain as transparent as possible.
2. The City shall manage relationships with the rating analysts assigned to the City's credit, using both informal and formal methods to disseminate information.
3. The City's Basic Financial Statements and Notes shall be a vehicle for compliance with continuing disclosure requirements. The Notes to the Financial Statements may be supplemented with additional documentation as required. Each year included in the Notes to the Financial Statements, the City will report its compliance with debt targets and the goals of the Debt Policies.

4. The City shall seek to maintain and improve its current bond rating.

IX. Compliance Policy

Investment of Proceeds

The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds, as well as restrictions on the period over which some of the proceeds may be invested.

Legal Covenants

The City shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

Periodic Policy Review

At a minimum, the City's financial policies and Debt-related Policies will be reviewed and updated every five years.

X. Investment and Cash Management Policies

Careful financial control of the City's daily operation is an important part of the overall fiscal management. Achieving adequate cash management and investment control requires sound financial planning to ensure sufficient revenues are available to meet current expenditures of any one operating period. It is to the City's advantage to prudently invest idle funds to increase interest earnings until such time cash is needed to pay expenditures.

1. Cash and Investment programs will be maintained in accordance with City regulations and will ensure that proper controls and safeguards are maintained. City funds will be managed prudently and diligently with an emphasis on the safety of principal, liquidity, and financial return on principal, in that order.
2. The City will continually monitor internal controls and cash handling processes and implement best practice procedures.
3. An analysis of the City's cash position shall be performed weekly by the Finance Director, Assistant Finance Director, or assigned staff of the finance department. A report on the City's cash position will be prepared quarterly and reported to department heads, the City Manager, and City Council.
4. Sufficient cash shall be maintained to provide adequate funds for current operating expenditures.
5. In accordance with WMC 3.28, the City Council authorizes the Finance Director to determine the amount of money available in each fund for investment purposes and to make investments authorized by law. Further, the City Council authorizes the Finance Director, the Deputy Finance Director or a designated finance officer under the Finance Director to deposit and withdraw city funds in state-approved institutions as outlined in RCW 35.39.032.

XI. General Fund Reserve Policies

Adequate reserve levels are a necessary component of the City's overall financial management strategy and a measurement of the City's financial strength. Reserve funds provide the City with the ability to exercise financial planning in developing future capital projects and are necessary to protect the City financial position from unforeseen emergencies.

1. At each fiscal year end the remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the City.
2. The City will include all fund balances in the annual budget.

<u>Unrestricted Cash Goal</u>

3. The City's goal shall be to maintain a General Fund unreserved fund balance of at least sixteen percent of the annual General Fund operating revenues.
4. The unrestricted ending fund balance/ cash goal is to address temporary revenue losses due to economic cycles or other time-related causes.
5. Annual contributions will be budgeted from the General Fund resources as available to establish and maintain the target reserve level.
6. All expenditures drawn from the reserve account shall require a simple majority approving vote by the Council.

<u>Equipment Rental & Replacement Fund</u>

7. Sufficient reserves will be maintained to provide for the scheduled replacement of City vehicles and capital equipment at the end of their useful lives.

<u>Additional Reserves</u>

8. Additional reserve accounts may be created by the City Council to be set aside for specific purposes or special projects, for known significant future expenditures, or as general operational reserves.