

Policies/Guidelines



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Legislative Building of the State Capitol



Olympia City Council Goals

Invest in Downtown so that more people live, work, learn, shop, play, and enjoy Downtown Olympia.

- Parking and housing, Community policing, Capital projects

Put sustainability into action so that we do our part to make our community more livable.

- Complete an analysis on economic, regulatory and zoning issues related to big box retail
- Develop and adopt a sustainable economy chapter for the Olympia Comprehensive Plan
- Identify policies, programs, regulations, and incentives to promote community sustainability
- Evaluate the environmental impacts and benefits of City policies and actions

Improve effectiveness of government so that we deliver high quality service that satisfies citizens at a reasonable price.

- Consolidate City Hall buildings
- Implement performance based budgeting with meaningful public input

Focus on Olympia as a Capital City to preserve and enhance our identity and economy.

- Build and maintain alliances with State elected and appointed officials - identify opportunities for partnerships
- Be great hosts for the legislative session
- Encourage state investments
- Implement a tourism marketing strategy aimed at Capitol Campus visitors



CITY OF OLYMPIA

Philosophy Statement

OUR MISSION *To improve the quality of life and to enhance the spirit of the community through personalized services, citizen involvement, planning for the future and a commitment to timely action.*

WE VALUE

Service

- Awareness of citizen needs
- Delivery of quality services
- Responsiveness to the community and individuals
- Involvement in community activities

People

- Giving citizens personal attention and showing concern
- Citizens' accomplishments and achievements
- Individual differences
- Encouraging citizen involvement in local government policy making and programs
- Recognition of employee accomplishments and achievement

Integrity

- Impartial delivery of services
- Compassion toward the public and each other
- Doing the right thing
- Being forthright and sincere
- Loyalty to the community and organizational values
- Acting consistently in the public interest
- The faith and confidence of citizens

Results

- High standards of productivity
- Achievement of defined goals
- Initiative at all levels to solve problems
- Employee development and training
- Optimum use of resources
- Celebrating success
- High levels of competence

Innovation

- Being open to change
- Creativity and risk taking
- Rewarding new solutions
- Willingness to learn from mistakes

Team

- Willingness to involve others in team problem solving
- Individual responsibility for team success
- A partnership of community, Council, and employees
- Viewing the organization from a citywide perspective
- Mutual respect and support for team members
- Working out differences with respect
- Enthusiasm, dedication, and a sense of humor
- A positive attitude about work and responsibilities

Budget Procedures and Fund Structure

It is the City's practice to use fund balance to fund one-time items only.

The framework for municipal budgeting is established by Washington State Law as set forth in RCW 35.33. The law has two major objectives:

To provide standard procedures for preparing, presenting and administering local budgets; and

To ensure citizen involvement in the preparation of the budget by providing public exposure to the budget before it's final adoption.

Budgeting for the City of Olympia is a joint effort between the people affected by the budget, the elected officials, and City staff responsible for providing the services. The City Council determines the allocation of resources for services, the Washington State Auditor's Office is responsible for ensuring that the budget is prepared according to laws, and citizens are provided an opportunity to become involved with the budget process to see that programs they want and need are adequately funded.

The budget, as adopted annually by the City Council, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level; therefore, expenditures may not legally exceed appropriations at that level of detail. Appropriated budgets are adopted for the General Fund, Washington Center Fund, Enterprise and Internal Service Funds, and active General Obligation Debt Service Funds. These appropriations lapse at year end.

The City's budget is balanced. In the case of the operating budget, this means that expenditures are generally funded from current revenues. In instances where expenditures may be funded from fund balance (reserves), such funding is from fund balance amounts which exceed any operating reserve requirement. It is the City's practice to use fund balance only to fund one-time items in governmental funds. Reserve may be used on occasion to fund utility budgets.

Generally, this is to level rates, and the intent of prior year revenue collections in excess of expenditure requirements is to use those extra funds to level rates in future years. The capital budget is balanced with anticipated additional revenue or reserves. The capital budget funds one-time items.

Budgets for some special revenue funds and capital project funds are appropriated on a project basis, and the appropriations do not lapse at year-end, but continue until the completion of the project. These budgets are included in this document as referenced in the Supplementary Information section.

The City prepares a Comprehensive Annual Financial Report (CAFR) in conformance with generally accepted accounting principles (GAAP). The budget is not prepared using the same basis of accounting, and therefore cannot, in all cases, be compared to information depicted in the annual report.

Budgets for Proprietary Fund types (i.e., Utilities) are budgeted on a modified accrual basis, but are depicted in the City's annual report using an accrual basis of accounting. Therefore, these funds are not directly comparable between the two reports. The Fiduciary Fund types are divided into two groups: expendable trust and non-expendable trust. The expendable trust funds are depicted on the modified accrual basis in both the budget and annual report. The non-expendable trust funds are depicted using the modified accrual basis in the budget and the accrual basis in the annual report.

Budget Procedures and Fund Structure (continued)

BUDGET BASIS

The Governmental Fund types (i.e., the General Fund, Washington Center Fund, Enterprise and Internal Service Funds, and active General Obligation Debt Service Funds) are budgeted on a modified accrual basis and can be directly compared to the operating statements in the City's Annual Report. Briefly, this means that revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Olympia considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recorded in the accounts and reported in the financial statements. The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of generally accepted accounting principles (GAAP). The accrual basis of accounting is used for all funds, except the governmental fund types and expendable trust and agency funds, which use the modified accrual basis of accounting.

The modified accrual basis differs from the accrual basis in the following ways:

1. Purchases of capital assets are considered expenditures.
2. Redemptions of long-term debt are considered expenditures when due.
3. Revenues are recorded only when they become both measurable and available to finance expenditures of the current period.
4. Inventories and prepaid items are reported as expenditures when purchased.
5. Interest on long-term debt is recorded as an expenditure when due.
6. Accumulated unpaid vacation, sick pay, and other employee benefits are considered expenditures when paid.
7. Depreciation is recorded on an accrual basis only.

The City Manager is authorized to transfer appropriations within a fund. However, amendments (increases or decreases) to the budget between fund levels requires Council action and is done by ordinance. The budget is typically amended several times during the year.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The City uses governmental, proprietary and fiduciary funds. Each governmental fund, expendable trust, or agency fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Proprietary and similar trust funds use the revenue, expenses, and equity accounts similar to businesses in the private sector.

Fund Types Budgeted By The City

GOVERNMENTAL FUNDS

Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in other funds and is generally considered to represent the ordinary operations of the City. It derives the majority of its revenues from property, sales, utility, business and occupation taxes, and state shared revenues.

Special Revenue Funds

These funds account for proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. Other restricted resources are accounted for in debt service, trust, and capital project funds. The Washington Center is a Special Revenue fund with an annual budget.

Debt Service Funds

These funds are used to account for the accumulation of resources for and payment of general obligation bond principal and interest from governmental resources. These funds are also used to account for the accumulation of resources for and payments of special assessment bond principle and interest from special assessment levies when the City is obligated in some manner for the payment.

Capital Project Funds

These funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary and trust funds. Capital project funds are not included in the City's operating budget, but are budgeted separately with construction fund ordinances which appropriate a budget for the life of the project. A recap of the Capital Facilities Plan (CFP) is included in the supplemental information section of this document. Detail of the CFP is in Volume II of II of this document.

PROPRIETARY FUNDS

Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds

The City's enterprise funds account for utility operations, which are self-supported through user charges. The utilities are financed and operated like a private business enterprise which reprises periodic determination of revenues earned, expenses incurred, and net income for capital, maintenance, public policy, management control, and accountability. The City of Olympia's enterprise funds include Water and Sewer, Solid Waste, and Stormwater utilities.

Internal Service Funds

The City utilizes four internal service funds: Equipment Rental, Unemployment Compensation, Risk Management, and Workers' Compensation. The Equipment Rental Fund is used to account for the financing of goods and services provided to other funds, departments, or governments on a cost reimbursement basis. The Unemployment Compensation Fund is used to reimburse the State of Washington Department of Employment Security for unemployment claims filed by employees from the City of Olympia. The Risk Management Fund is used to maintain its own self-insurance, which can be used to pay for risk management items not included in the insurance pool with the Washington Insurance Authority. The Workers' Compensation Fund is used to pay for workers' compensation benefits. Only the Equipment Rental Fund is budgeted on an annual basis. The other funds are Special Funds which are budgeted periodically and are shown in the appendix section of the budget for reference purposes only.

FIDUCIARY FUNDS

Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds

Trust & Agency Funds

Trust Funds are used to account for assets held in a trustee capacity (Washington Center Endowment and Municipal Court Trust Fund). Agency funds are used to account for assets held as an agent for individuals, private organizations, and other governments, (LOTT Alliance). Trust funds are not shown in the operating budget. The contract for operations and maintenance of the Wastewater Treatment Facility is shown as an agency fund.

Fund Types Budgeted by the City			
	Funds with Annual Appropriations (Budget lapses at end of year)	Funds without Annual Appropriations (Budget lapses at end of year)	Funds With No Appropriations or Not Required
General Fund	X		
Special Revenue Funds			
Special Accounts Control		X	
Arterial Street		X	
CDBG Loan Repayment		X	
CDBG Grants		X	
Washington Center Operations		X	
Municipal Arts		X	
Impact Fees		X	
Equipment and Facilities Reserve		X	
SEPA Mitigation (Streets and Parks)		X	
Fire Equipment Reserve		X	
Lodging Tax		X	
Parks & Rec Sidewalk Utility Tax		X	
Parking & Business Improvement Area		X	
Farmers' Market Repair & Replacement		X	
Children's Hands On Museum		X	
Debt Service Funds			
LID Obligation Control			X
LID Guaranty			X
LTGO Bonds – 1995*	X		
4 th /5 th Avenue Corridor PWTF Loans*	X		
2006 Parks Bond	X		
Capital Projects Fund			
Shop Facilities (Maintenance Center)		X	
Capital Improvement Fund		X	
4 th /5 th Avenue Corridor Construction		X	
2006 Construction, Parks		X	
Enterprise Funds			
Water Utility	X		
Water Capital Facilities		X	
Sewer Utility	X		
Sewer Capital Facilities		X	
Water/Sewer Bond Fund*	X		
Solid Waste Utility	X		
Storm Water Utility	X		
Storm Water Capital Facilities		X	
SEPA Mitigation (Stormwater)		X	

Fund Types Budgeted by the City			
	Funds with Annual Appropriations (Budget lapses at end of year)	Funds without Annual Appropriations (Budget lapses at end of year)	Funds With No Appropriations or Not Required
Internal Service Funds			
Equipment Rental Operations	X		
Equipment Rental Capital Reserve		X	
Unemployment		X	
Insurance Trust		X	
Workers' Compensation		X	
Trust and Agency Funds			
Firemen's Pension			X
Customers' Water Reserve			X
Washington Center Endowment		X	
Municipal Court Trust			X
Interlocal Law Enforcement Records Management System			X
<i>* Budget not required by law. City elects to include these Funds in its annual budget</i>			

Long Term Financial Strategy

MAKE TRADE-OFFS

Do not initiate major new services without either (a) ensuring that revenue to pay for the service can be sustained over time, or (b) making trade-offs of existing services.

DO IT WELL

If the City cannot deliver a service well, the service will not be provided at all.

FOCUS PROGRAMS ON OLYMPIA RESIDENTS AND BUSINESSES

Give priority to maintaining existing infrastructure.

USE UNEXPECTED ONE-TIME REVENUES FOR ONE-TIME COSTS OR RESERVES

One-time revenues – or revenues above projections – will be used strategically to fund prioritized capital projects.

INVEST IN EMPLOYEES

The City will invest in employees and provide resources to maximize their productivity.

PURSUE INNOVATIVE APPROACHES TO SERVICE DELIVERY

Continue to implement operational efficiencies and cost saving measures in achieving community values. Pursue partnerships and cost sharing strategies with others.

CONTRACT IN/CONTRACT OUT

Consider alternative service delivery to maximize efficiency and effectiveness.

MAINTAIN CAPACITY TO RESPOND TO EMERGING COMMUNITY NEEDS

PURSUE ENTREPRENEURIAL INITIATIVES

ADDRESS UNFUNDED LIABILITIES

SELECTIVELY RECOVER COSTS

On a selective basis, have those who use a service pay the full cost.

RECOGNIZE THE CONNECTION BETWEEN THE OPERATING BUDGET AND THE CAPITAL BUDGET.

KEY FINANCIAL PRINCIPLES

Long Term Financial Strategy (continued)

GUIDELINES

WHAT SHOULD THE CITY DO IN THE FOLLOWING YEAR'S BUDGET WHEN THE FINANCIAL FORECAST IS POSITIVE?

- Assess the situation
- Maintain adequate reserves
- Use one-time revenues only for one-time expenses
- Use recurring revenues for recurring costs OR for one-time expenses
- Stay faithful to City goals over the long run
- Think carefully when considering revenue cuts
- Think long-term

WHAT SHOULD THE CITY DO EVERY YEAR, WHETHER THE FINANCIAL FORECAST IS POSITIVE *OR* NEGATIVE?

- Increase operating cost recovery
- Pursue cost sharing

WHAT SHOULD THE CITY DO IN THE FOLLOWING YEAR'S BUDGET WHEN THE FINANCIAL FORECAST IS NEGATIVE?

- Assess the situation
- Use reserves sparingly
- Reduce services
- Continue to think carefully when considering tax increases

Tracking For Success

The City of Olympia has had a long commitment to continuous improvement. There are system and process improvements that individual employees and work teams have routinely initiated as responsible public employees. However, with increased citizen expectations that government, at all levels, absorb more work without reducing levels of service, both the City Council and the City's Executive Team have expressed interest in developing a results-oriented, comprehensive performance improvement process.

In July 2002, the City Council established the following goal statement that has and will continue to drive the City's performance improvement strategy:

To develop a broadly understood and comprehensive method of performance improvement that will:

- Create a communication tool for the City Council that documents efficiencies;
- Develop a management tool to measure, assess, and improve performance, based on established standards and Council "community expectations"; and
- Help the City Council make informed allocation decisions and assess program operations as part of the annual budget process (also known as Performance Based Budgeting).

To achieve these goals, the Council endorsed a three-step system that involves:

STEP 1: How do we perform now?

Current results
How do we compare with others?
What's the level of service and resources?

STEP 2: Target Areas for Improvement

What programs need to change?
Make system improvements
Implement change

STEP 3: Report Results

Were results achieved?
What improvements were made?
What capacity was added?

The City accomplished Step 1 in 2003. This resulted in staff preparing business plans to satisfy the goals of Step 1 that clearly outline the lines of business each Department performs, specific programs that support those lines of business, and key result measures. These components were designed in a way that customers will easily

understand. The key result measures are tangible and focus on the benefit experienced by the customer. They were identified through a process that highlights measures which are the best indicators of overall performance and can be used for good management decision making.

In each departmental section of this budget document, key result measures have been reported by Lines of Business and/or programs for the prior year, current year, and an estimate for the coming budget year. Where information has not been provided, data is currently being

collected for that measure and will be reported beginning next year.

The process of measuring key result measures began in January 2004, and new result measures will be added as experience is gained and monitoring systems are improved.

This work is evolutionary, not revolutionary, and many things are expected to be learned about the results being captured, which may include learning that some results are not as meaningful as initially anticipated, or that it is too difficult to capture the information accurately. Therefore, Departments expect to work closely with the City Council to improve key result measures for decision making and reporting as experience is gained and understanding evolves.

STEP 1: How do we perform now?

- Current results
- How do we compare with others?
- What's the level of service and resources?

STEP 2: Target Areas for Improvement

- What programs need to change?
- Make system improvements
- Implement change

STEP 3: Report Results

- Were results achieved?
- What improvements were made?
- What capacity was added?

City of Olympia, Washington Financial Policies Executive Summary

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

General Principles

1. Budgeting Policy

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

- Budgets will be formulated and approved according to the following procedural guidelines:
 - The administration decides on programmatic need and recommends funding levels.
 - The Capital Facilities Plan (CFP) is submitted 90 days, and the operating budget presented 60 days, prior to the end of the fiscal year.
 - By State law, the Council must approve the operating budget with a capital budget element prior to the end of the fiscal year.
- The capital budget is submitted on a functional six-year basis, to be updated annually.
- The operating budget is presented at a fund level and shall be adopted annually.

Performance monitoring of the operating budget will include:

- Forecast statements for each budget program.
- A "work measurement system" which compares the costs and benefits for each funded activity.
- An accounting system which ensures that actual operating expenditures conform to the budget.

Capital Budgeting Policies and Procedures:

- Projects will be funded by a combination of bond proceeds, grants, leases, and operating funds, with a maximum of 80% funded by long-term debt.
- Planning for capital projects will include a six-year plan titled "Capital Facilities Plan," which must be updated annually and include a statement of projected costs and sources of funds.

- Capital projects must meet the following criteria:
 - If debt funded, the term of debt should not exceed the useful life of the project.
 - Capital projects should be built according to specifications which enable them to be self-sustaining whenever possible.
 - Long-term debt should be funded through revenue bond issue whenever feasible to maximize the general obligation debt limitation.
- Six-year budget projections will be prepared and updated annually and will include any expected changes in revenues or expenditures.

2. Revenue Structure

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

Tax policy must try to avoid:

- Over-reliance on property taxes.
- Adverse effects of excessively heavy taxes.
- Disproportionate burdens levied on any particular taxpayer group.

Structuring of taxes should attempt to:

- Provide a stable and predictable stream of revenue to fund City programs.
- Make collection of revenues simple and reliable.
- Retain/promote business (industry).

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

- User fees on certain activities chosen so that low-income families do not bear heavy costs.
- Service fees on activities where either raising revenues or limiting demand would prove beneficial.
- A cash-management system which obtains maximum interest income within State guidelines.

Executive Summary (continued)

3. Debt Management

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

- To smooth the use of debt so that debt service payments will be a predictable and manageable part of the operating budget.
- To raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by:
 - Keeping a high credit rating (while making attempts to strengthen credit rating).
 - Maintaining a good reputation in the credit markets by adjusting the capital program for regular entry to the bond market and by managing the annual budget responsibly.

Debt instruments the City can use are:

- Short-Term Debt:
 - Short-term debt will not be issued for operating purposes nor will it be rolled over (except for Bond Anticipation Notes --BANs) from one period to another.
 - Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs) can be issued in amounts up to 60% of expected appropriations and must mature within the fiscal year.
 - BANs can be issued with a maximum three-year maturity and can be rolled over when interest rates make short-term debt preferable. BANs cannot be used to extend the life of a bond.
 - GANs (Grant Anticipation Notes) can be used when grant reimbursement for a project lags behind the payment schedule for large construction costs.
- Long-Term Debt:
 - Long-term debt will be used to maintain and develop municipal infrastructure when the economic life of a fixed asset exceeds five years.
- Revenue bonds will generally be used for projects which are financially self-sustaining.
- General Obligation bonds can be used to finance public works, which benefit the community and have revenues insufficient to amortize the debt.
- General Obligation pledges can be used to back self-sustaining projects financed through revenue bonds

when costs can be reduced and the municipal credit rating is not put in jeopardy by this action.

Debt Issuance Policy will ensure that:

- An attempt to enter the market will be smooth or with regular volume and frequency, as much as possible.
- Advantage be taken of favorable market conditions.
- The timing of revenue bonds considers project, market, and General Obligation factors.
- The municipal credit rating is kept high.

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

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

- Annual Reports
- Operating Budget and Capital Facilities Plan
- Official Statements

Debt issues will be sold on a competitive basis (except when conditions make a negotiated sale preferable) and awarded to the bidder who produces the lowest interest cost. Revenue bonds can be issued through a negotiated sale when the issue is unusually large, the project is speculative or complex, the issue is refunding, or the market is unstable.

4. Accounting And Financial Reporting

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

- To maintain the confidence of the Council, taxpayers, and investors by providing information which demonstrates that:
 - Money and property are handled responsibly, the current financial position is fully disclosed, and activities are operating at a maximum level of efficiency.
 - Financial performance conforms to all laws, ordinances, and procedures.

Executive Summary (continued)

To maintain financial control in order that:

- Managers have an information system to use for policy setting, decision-making, and program supervision.
- Municipal activities can monitor their revenues, expenditures, and performance levels.
- Forecasts can be made of future operating and capital budgets, and of future initiatives in taxing policy.

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

- Accounting and Auditing:
 - Procedures will allow reporting per Budget and Accounting Reporting System (BARS) and follow Generally Accepted Accounting Principles (GAAP).
 - Recording will be on a modified accrual basis for revenues and expenditures.
 - New procedures will be developed whenever they can contribute to the quality of timely information flows.
- Financial Reporting:
 - BARS, GASB, and GFOA reporting principles will be followed.
 - Reports will be organized in pyramidal form: at the top, a streamlined Annual Report; then an overview of financial position; and results of operations categorized by fund accounts.

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

- Manuals:

- BARS manuals will codify procedures, be used by accounting personnel and City officials, and specify the source of data for each account. They will be maintained by the Accounting Office of Administrative Services.
- Policy and procedure manuals will be maintained with current information.

5. Investments

The policy on investments applies to the investment of all City funds, excluding pension funds. The investment program is intended to provide safe, maximum returns and adequate liquidity to meet cash flow requirements. The minimum requirement for liquidity for operating funds is ten percent (10%) of the annual operating budget.

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

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

