

## RESOLUTION 1319

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, ESTABLISHING FINANCE POLICIES FOR BUDGETED FUND BALANCES, RESERVE FUND CONTRIBUTIONS, MULTI-YEAR FORECASTS, REVENUE ESTIMATES AND BUDGET CALENDAR

**WHEREAS**, the City Council of Gig Harbor recognizes the importance of sound financial planning and clear policies and guidelines for financial management; and

**WHEREAS**, the city council recognizes that it is essential for the city to maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures); and

**WHEREAS**, the city council recognizes the value of reserve funds in order to mitigate unforeseen circumstances and/or opportunities; and

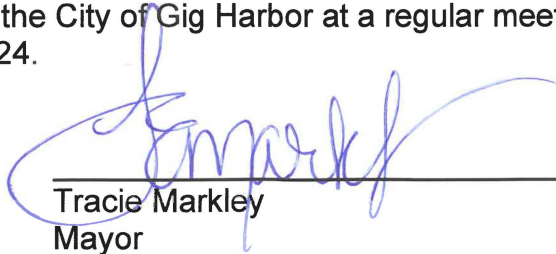
**WHEREAS**, the city council recognizes multi-year forecasting and sound estimation of future revenues in order to identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, or community services; and

**WHEREAS**, the city council desires to establish a budget process that ensures both the city council and Gig Harbor residents have ample time to provide input into the budget process;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Gig Harbor:

**Section 1.** The city council hereby adopts the Budget and Financial Policies attached hereto as Exhibit A as the financial policies for the City of Gig Harbor.


**ADOPTED** by the City Council of the City of Gig Harbor at a regular meeting thereof, held this 12th day of August, 2024.

  
\_\_\_\_\_  
Tracie Markley  
Mayor

Attest:

  
\_\_\_\_\_  
Joshua Stecker  
City Clerk

## EXHIBIT A

	<b>CITY OF GIG HARBOR – POLICIES AND PROCEDURES</b>		
	<b>TITLE: Budget and Financial Policies</b>		
<b>POLICY MANUAL SECTION &amp; NO.</b>	<b>EFFECTIVE DATE:</b>	<b>APPROVED:</b>	

### **PURPOSE**

In order to address best management practices for budgeting purposes.

### **POLICY**

#### **Fund Balances**

- The City will maintain General Fund and Street Operating Fund undesignated balances equal to 60 days of average daily operating expenditures.
- Because budgeted capital projects are established with a contingency amount, non-enterprise capital project funds (street capital and park capital, for example) are not required to maintain an undesignated fund balance. However, pro-rata contributions from developers for future public projects must be identified and accounted for either as reserved fund balance or a current year expense in the affected capital fund.
- Fund balances in enterprise funds shall be maintained at levels established through rate studies or at levels equal to a target of 60 days of operations and maintenance expenses that are necessary to meet operating, capital, and contingency requirements.
- Balances in other funds will comply with State law and/or debt service requirements.

#### **Reserve Fund Contributions**

The city has two distinct reserve funds (aside from reserve funds required for bond issues): the Strategic Reserve Fund and the Equipment Replacement Reserve Fund. The purposes and policies of these two reserve funds are described as follows:

Strategic Reserve Fund. The Strategic Reserve Fund is established to insulate the city from revenue fluctuations, economic downturns (i.e., “rainy days”), and other contingencies such as emergencies and disasters, uninsured losses, and tax refunds.

A “rainy day” fund is limited by [RCW 35A.33.145](#) to \$0.375 per \$1,000 of assessed valuation (approximately \$1.8 million in 2023). The target balance for the Strategic Reserve Fund should be the maximum amount allowed.

Equipment Replacement Reserve Fund. This fund is intended to establish a reserve that will fund at least a portion of vehicles and equipment as they are replaced, thereby

reducing the expenditure spikes that can otherwise occur. Only the General Fund will contribute to this fund. Enterprise funds will pay for their share of equipment and vehicles on a pay-as-you-go basis, as established and planned for in the utility rate studies. As part of the city's multi-year financial forecasting, the city administrator will recommend a target amount for this fund over multiple years, based on projected equipment and vehicle needs and life spans. Each year the city council, at its discretion, will add to and/or spend from this fund, based on the needs of the city. No spending from this fund will be authorized without city council approval. In extenuating and difficult financial times, the city council may delay vehicle and equipment purchases and transfer money from this fund back into the General Fund.

### **Multi-Year Forecast**

Each year the city will update expenditure and revenue forecasts for the next six years. The purpose of this forecast is to determine the long-term sustainability of operational and capital programs given limited revenue streams and resources. A multi-year forecast also facilitates budget decisions and strategic planning that go beyond biennial budget horizon.

The six-year forecast shall be presented to the city council as part of the budget preparation and review process each year. The forecast shall include General, Street Operating and Capital, Park Development, Water, Sewer and Storm Funds.

### **Revenue Estimates**

Generally, revenue estimates shall not assume growth rates in excess of inflation and scheduled rate increases. Actual revenues that are overestimates will be recognized through budgetary adjustments only after it takes place. This minimizes the likelihood of either a reduction in force or service level in the event revenues would be less than anticipated.

### **Budget Calendar**

Cities that have adopted a biennial (two-year) budget have the same statutory deadlines as cities which budget annually, with the addition of a budget review and adjustment eight to 12 months into the first year. By law, the biennium must begin on January 1 of an odd-numbered year. The odd year procedures are listed below and are followed by procedures for the mid-year of the biennial budget.

- **Date to be determined administratively:** The city administrator submits notice to department directors to file budget narratives (functions, goals, objectives, performance measures, and staffing requests). Department directors solicit suggestions from and conduct discussions with their staff. Completed narratives and forms are returned to the finance department.
- **Second Monday in September:** The finance director submits notice to department directors to submit detailed estimates of the probable revenue from sources other than ad valorem taxation and of all expenditures required by the department for the ensuing fiscal biennium. The notice shall be accompanied by the proper forms provided by the finance director, prepared in accordance with the requirements and classification established by the state auditor ([RCW 35A.34.050](#)). Responses from department directors are due within 14 days.



- **First business day in October:** The city administrator provides the mayor with the proposed preliminary budget. The proposed preliminary budget shall set forth the complete financial program of the city for the ensuing fiscal biennium, showing the expenditure program requested by each department and the sources of revenue by which each such program is proposed to be financed.

The revenue section shall set forth in comparative and tabular form for each fund the actual receipts for the last completed fiscal biennium, the estimated receipts for the current fiscal biennium, and the estimated receipts for the ensuing fiscal biennium, which shall include the amount to be raised from ad valorem taxes and unencumbered fund balances estimated to be available at the close of the current fiscal biennium.

The expenditure section shall set forth in comparative and tabular form for each fund and every department operating within each fund the actual expenditures for the last completed fiscal biennium, the appropriations for the current fiscal biennium, and the estimated expenditures for the ensuing fiscal biennium ([RCW 35A.34.070](#)).

- **October:** Council holds budget study sessions based on the proposed preliminary budget. At these study sessions, council may make suggestions for inclusion in the mayor's preliminary budget.
- **November 2:** The mayor submits the preliminary budget (including the mayor's message) to the city council ([RCW 35A.34.080](#)). This budget is based on priorities established by council and estimates provided by city departments during the preceding months, prioritized and balanced with revenue estimates made by the finance director. The city clerk publishes notices of the filing of the preliminary budget and the ensuing public hearings ([RCW 35A.34.100](#))
- **First Regular Meeting in November:** The city council conducts public hearings on revenue sources and the preliminary budget (first reading of the ordinance adopting the final budget). Council adopts a resolution certifying the Regular Ad Valorem Tax Levy upon Real Property ([RCW 35A.34.090](#))
- **Second Regular meeting in November:** Council holds a public hearing on the final budget (second reading and adoption of the ordinance adopting the final budget). This public hearing may be continued until no later than December 7, if necessary ([RCW 35A.34.110](#)). The ordinance adopting the final budget must be approved by December 31 ([RCW 35A.34.120](#)).

### **Mid-biennial Budget Review**

The mid-biennium review must:

- Consist of any proposed modifications to the adopted biennial budget
- Be advertised and published in a manner similar to other ordinances of the city (if it results in an ordinance)

- Include procedures for notice to the members of the council and public
- Be in the form of an ordinance (if any changes are proposed)([RCW 35A.34.130](#))

