
Financial Management Policies

I. Executive Summary

The City of Renton is committed to maintaining the highest standards of responsible financial management. The city, including the city council, mayor and staff will work together to ensure that all financial matters of the city are addressed with care, integrity, and in the best interest of the city. The rules and procedures contained in this section are designed to:

- Protect the assets of the City of Renton;
- Ensure the maintenance of open and accurate records of the city's financial activities;
- Provide a framework of operating standards, behavioral expectations, and performance measures;
- Ensure compliance with federal, state, and local legal and reporting requirements; and
- Provide a means for the city council to update and monitor these policies with the assistance and cooperation of the mayor's office and the finance administrator.

The following lines of authority are to enable the City of Renton to ensure its policies are meeting their goals and promoting the financial wellness of the city.

1. The Renton City Council has the authority to execute such policies as it deems to be in the best interest of the city within the parameters of federal, state, and local law.
2. The finance committee has the authority to perform reviews of the organization's financial activity, determine the allocation of investment deposits, and ensure adequate internal controls are in place.
3. The mayor and chief administrative officer (CAO) have the authority to oversee the development of the biennial budget, make spending decisions within the parameters of the approved budget, enter into contractual agreements, make capital asset purchase decisions and make decisions regarding the allocation of expenses within designated parameters. Unless otherwise specified in this document, principal responsibility for complying with the directives enumerated herein shall be vested in the mayor.
4. Each Department Administrator has the authority to expend city funds within approved budget authority and in accordance with procedures prescribed by the mayor's office, and to recommend spending requests within the parameters of the approved budget process to the mayor.

II. Financial Management Policies

1. Investment Policy (210-07): Applies to the investment of available city funds, excluding fire pension funds.
 - a. The city has the responsibility to manage these invested funds through diversification of funds, attaining the highest interest rate available, and maintaining a sufficient level of liquidity to meet operating requirements that can be reasonably anticipated. This responsibility is delegated out to the fiscal services director who shall act as the city's investment officer. The actions taken by the city's investment officer will be reviewed quarterly by the city council's investment committee, which is comprised of the mayor, the chief administrative officer, the finance administrator, and a member of the city council.

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2. Purchasing, Bidding, and Contracting Requirements Policy (250-02): Applies to selection, bidding, leasing, and contracting requirements for goods, services and public works projects throughout the city.
 - a. The city encourages funds expended by the city be reinvested in the local economy whenever it is possible and practical to do so. The city must also utilize uniform, efficient, and competitive bidding, purchasing, quoting, Request for Proposals (RFPs), cooperative purchasing, and Statements of Qualifications (SOQs) consistent with State law. This is to ensure that all public purchases and contracts for services, equipment, materials, supplies, and public works are executed and managed at the highest professional and ethical standard while achieving the greatest attainable level of quality and value permitted by law.
 3. Bad Debt Policy (220-03): Applies to handling the collection of bad debt.
 - a. The city has designated the responsibility of formulating, implementing, and conducting the collection of bad debt to the finance department. When accounts are determined to be uncollectable by the finance department the accounts are then referred to the city's designated collection agent. The Renton Municipal Court is responsible for conducting their own collection efforts and refer to their own designated collection agent.
 4. Administration of Grants Policy (210-09): Applies to the identification, application, administration, and reporting of grants from various external sources.
 - a. Each department within the city will actively pursue opportunities to obtain grant resources, maintain an active and diverse portfolio, and utilize grant funds to supplement and enhance the long-term goals and objectives of the city. The grant administration and applications shall be coordinated through the grant analyst. This policy includes all government grants, regardless of dollar amount, and all private grants over \$30,000.
 5. Surplus & Disposal of Surplus Personal Property Policy (250-10): Applies to the efficient use and disposal of surplus personal property.
 - a. The city's surplus personal property that retains commercial value will be disposed of in the most cost effective and efficient manner that achieves the highest value for the city. The surplus property will first be transferred between departments as needed. After that the surplus property may be traded in, sold, or donated. A donation of property can only occur if the organization receiving the property serves or benefits the public in accordance with RCW 39.33.010.
 6. Cash Control Policy (210-05): Applies to the proper procedures for receipting and depositing cash and checks received by city departments.
 - a. To facilitate citizens/customers doing business with the City of Renton, receipts will be written by each department who accepts payments. The departments will then remit the payments to the finance department to ensure the safety of cash deposits and to maximize the investment of cash to its full potential. No checks shall be cashed or written for more than the amount of the purchase.
 7. Purchasing Cards Policy (250-18): Applies to the proper use of purchasing cards to procure goods or services for official City business purposes.
 - a. Authorized cardholders can make purchases using a city issued purchasing card ("Card" or "Cards") to provide efficient, cost-effective means to pay for goods and services for official city business.
 - b. The card is designed to be a cost-effective alternative to the traditional invoice payment process; it does not affect requirements to comply with State or local procurement laws, regulations, or policies.

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- c. The card is not intended to replace effective procurement planning which can result in quantity discounts, reduced number of trips and more efficient use of city resources.
 - d. The finance administrator may establish additional rules and procedures from time to time consistent with this policy and provide the appropriate forms and instructions.
 - e. Exceptions to the rules may be made under declared emergencies upon written directive of the mayor, chief administrative officer, designated emergency management official or their designee.
8. Budget Preparation & Control Policy (220-01): Applies to the budget preparation responsibility and provides guidelines and procedures for expenditure control and budget amendments.

The goal of this policy is to provide a comprehensive process for financial planning, control and evaluation of the city's revenues and expenditures which complies with legal requirements and provides adequate financial information and controls.

- a. Budget Preparation: Department heads are required to prepare line-item budgets requests, the mayor and finance staff use the requests to prepare and submit a preliminary budget for city council to consider. The city council will then adopt the final budget at the fund level by ordinance.
- b. Budget development: The city shall prepare a biennial budget that is consistent with state law, the long-term financial planning model, the financial management policies, and industry best practices.
 - i. The City of Renton's biennial budget shall be prepared using the following schedule and process as a general guide:
 - (a) Review stakeholder input such as surveys, public forums, neighborhood meeting notes and business community communication.
 - (b) The mayor, city council and chief administrative officer will conduct a goal-setting retreat with the department administrators updating the business plan and other policy guidance.
 - (c) The city council and administration will meet to review and discuss the prior year's audited results, current year budget status, next budget schedule, process, budget guidelines and budget preparation items of interest.
 - (d) The finance administrator prepares the budget preparation instructions and meets with department administrators to distribute budget instructions and discuss budget preparation.
 - (e) The instructions will include policy priorities, estimates of compensation adjustments, internal service and indirect charges.
 - (f) Departments will provide to the finance department budget estimates and requests conforming to the budget instructions.
 - (g) The mayor submits a proposed balanced preliminary budget to the city council in conformance with state law.
 - (h) A balanced budget should be comprised of funding recommendations for the operating and capital budgets that do not exceed the estimated resources of the entity.
 - (i) The city council conducts public hearings on the proposed budget in conformance with state law.
 - (j) The city council sets the city's property tax levies.
 - (k) The city council adopts the final budget ordinance.
 - (l) The final budget document is published and posted to the city website.
 - ii. Budget amendments should be presented for consideration when the need arises.
 - (a) Budget authority shall be at the fund level.

- (b) Changes resulting in a need to revise the appropriation authority shall be presented as they occur.
- c. Revenues
 - i. Revenue forecasts shall assess the full spectrum of resources available to finance city programs and services.
 - ii. The city shall consider the diversification of revenue as a strategy when developing its financial plans.
 - iii. Should an economic downturn develop that results in (potential) revenue shortfalls or fewer available resources, the city will make appropriate adjustments to its budget.
 - iv. Revenue estimates shall be based on forecasting methods recommended by the Government Finance Officers Association (GFOA) and will typically be conservative rather than aggressive.
- d. Expenditures: Priority shall be given to expenditures that will improve productivity.

In addition to the policies above the City of Renton also adheres to the following policies that are currently adopted and reviewed on a biennial basis along with the budget document.

9. Accounting Records and Reports

- a. Basis of Accounting
 - i. The city's Annual Comprehensive Financial Report (ACFR) on its financial activity shall be presented in compliance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB).
- b. Basis of Budget
 - i. The city budget is presented on a GAAP basis of accounting.
- c. Fund Accounting
 - i. The City of Renton's accounting and budgeting systems use a fund accounting consistent with guidance provided by the GASB and the Washington State Auditor's Office.
 - ii. The funds are grouped into categories: General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Fiduciary/Trust.
 - iii. The city council shall create and eliminate funds as appropriate by separate ordinance, or through the budget ordinance.
 - iv. Funds shall either be "external" or "internal" for financial reporting purposes.
 - (a) Internal funds shall be separate sets of accounts for the purpose of enhancing internal management control only. These funds shall reside within an external fund. For cash management purposes, internal funds may rely on their related external fund without payment of interest or violation of the city's cash management policies. (See interfund loan policy for further clarification).
 - v. The city's financial accounting system shall ensure that the status and transactions of each account and their relationship to budget authority is clear.

- d. Financial Reporting
 - i. The ACFR shall be timely and comprehensive and meet or exceed professional industry standards.
 - ii. The city's budget documents shall provide for comparison with prior years.
 - iii. Revenue and expenditure reports shall be prepared monthly and be available on the city's website.
 - iv. A written analysis of the city's monthly report shall be prepared quarterly, coordinated with the chief administrative officer and mayor, reviewed with the city council, and available on the city's website.
 - v. All budget amendments shall be included in the monthly report.
 - vi. Any outstanding interfund loans shall be disclosed in the quarterly report.
- e. Audit
 - i. The city shall commission an annual audit of its financial reports and related records to be conducted by the Washington State Auditor's Office.
 - ii. At the conclusion of the audit, the auditor shall be available to brief the city council on the results.
 - iii. The results of the audit shall be available to the public.

10. Financial Planning

- a. The city shall maintain a long-term (five year) financial planning model.
 - i. The financial planning model shall:
 - (a) be based on the currently adopted budget;
 - (b) utilize these policies;
 - (c) be based on assumptions and drivers realistically expected to occur;
 - (d) clearly document the assumptions and drivers used and the results of the use of such assumptions and drivers;
 - (e) be designed in such a way to permit analysis of alternative strategies;
 - (f) relate to the related plans of the city to include service delivery plans, comprehensive plans, master plans, etc.; and
 - (g) shall be prepared for the general government and such other funds as the deemed necessary.
- b. Capital Improvements
 - i. A comprehensive six-year plan for city capital investments shall be prepared biennially and adopted by the city council as part of the city budget.
 - (a) All projects included in the capital investment program (CIP) shall be consistent with the city's comprehensive plan.
 - (b) The capital investment program shall be prepared in consultation with council committees for ongoing capital investments.
 - ii. All proposed capital improvement projects shall include a recommended or likely source of funding.
 - iii. Private development (including residential, commercial and industrial projects) shall pay its fair share of the capital investments that are necessary to serve the development in the form of system development charges, impact fees, mitigation fees, or benefit districts.

- iv. Capital project proposals should indicate the project's impact on the operating budget, including, but not limited to, long-term maintenance costs necessary to support the investment.
- v. Capital projects shall be budgeted for on a project life basis (rather than fiscal year).

11. Policy on Stabilization Funds: Sufficient fund balances and reserve levels are important in the long-term financial stability of the city.

- a. The city shall maintain reserves required by law, ordinance and/or bond covenants. In addition, the City of Renton has its own minimum requirements on reserve levels that are detailed below.
 - i. General Government
 - (a) The city shall maintain reserves in the general government funds at least 8% of total budgeted operating expenditures with a target of 12%.
 - (b) In addition, the city shall maintain an additional reserve as a part of the city's risk management funds in a minimum amount of at least 8% of general fund operating expenditures.
 - (c) In addition, the city shall maintain an "Anti-Recessionary Reserve" in an amount of at least 4% of general government budgeted operating expenditures. Expenditures utilizing the "Anti Recessionary Reserve" require a two-thirds majority vote of the city council and will be replenished within three (3) years.
 - (d) In addition, the city shall accumulate reserves of \$5,400,000 for the annexation sales tax credit expiration/transition using year-end savings, until fully funded. Expenditures utilizing the "annexation sales tax credit expiration/transition reserve" require a two-thirds majority vote of the city council.
 - (e) In addition, the city shall reserve \$2,500,000 for the economic development revolving fund using year-end savings until funded. Expenditures utilizing the "economic development revolving fund reserve" require a two-thirds majority vote of the city council.
 - ii. Debt Service
 - (a) The city shall maintain one-year payments in voted general obligation debt service funds and revenue bonds.
 - (b) In addition, a one-year payment reserve will be established for all councilmanic general obligation bonds issued after 2013.
 - iii. Enterprise Funds
 - (a) Water, wastewater, and surface water utility fund shall each maintain reserves of 12% of total budgeted operating expenses or 30 to 45 days.
 - (b) King County wastewater treatment fund shall maintain reserves of \$380,000 (approximately 3% of total operating expenses).
 - (c) Solid waste fund shall maintain reserves of \$400,000.
 - (d) Golf fund shall maintain reserves of 25% of total budgeted operating expenses.
 - (e) All other enterprise funds shall maintain reserves of 10% - 20% of total budgeted operating expenses.
 - iv. Reserve balances of other funds shall be set through the budget process in an amount consistent with the purpose and nature of the fund.
- b. Replacement reserves shall be established for equipment, and computer software should the need continue beyond the estimated initial useful life, regardless of whether the equipment is acquired

via lease, gift or purchase. Service charges paid by city departments to the appropriate internal service funds should include an amount to provide for replacements.

- i. The city shall establish a public safety small equipment reserve as a sub-fund to the equipment rental fund. Beginning 2015, the city shall contribute \$200,000 a year to accumulate reserves specifically for public safety small equipment items.

12. Policy on Fees and Charges

- a. The city shall biennially review all fees for licenses, permits, fines, rates and other miscellaneous charges as part of the budget process.
- b. User charges and fees shall be established based on a percentage of the full cost of providing the service, unless otherwise provided by statute or regulation.
 - i. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.
 - ii. Other factors for fee or charge adjustments may also include the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- c. Proposed rate adjustments, user charges and fees shall be presented to the city council for approval for each year as part of the mayor's proposed preliminary biennial budget to the council.
- d. The city shall rigorously collect all amounts due.

13. Policy on Utility Funds

- a. The city shall establish and maintain separate utility operating and capital investment funds and budgets for each of its utility operations.
- b. Utility rate studies shall be conducted every six years to update assumptions and ensure the long-term solvency and viability of the city's utilities.
- c. Utility rates and capital fees shall be reviewed biennially, and necessary adjustments made to avoid major rate increases.
- d. The city shall use system development charges, grants and low interest loans to fund capital projects where possible. Overall, the utilities should maintain a debt-to-equity ratio of 60/40.
- e. Each utility should fund an amount of the cost equal to the annual "depreciation expense" of capital assets less debt service principal payments.
- f. System Development Charges (SDCs) shall be established at levels to ensure that all customers seeking to connect to the city's utility systems shall bear their equitable share of the cost of both the existing and future systems.
- g. Debt financing of utility improvements will be consistent with the utility master plans, council rate policies and other factors so as to smooth the effect of major improvements on utility rates.
- h. The city shall strive to maintain minimum debt service "coverage" with the net revenue (gross operating revenue of the utilities less operating and maintenance expenses) of the combined utilities being 1.25 - 1.5 times the actual debt and the net revenue of the individual Utility being at least 1.25 times the actual debt.

- i. Capital Contingency as System Reinvestment and Debt Service:
 - i. Surface water: 1.25 DSC and approximately \$3 million annual system reinvestment
 - ii. Wastewater: 1.25 DSC and approximately \$3 million annual system reinvestment
 - iii. Water: 1.25 DSC and approximately \$4 million annual system reinvestment
- j. Bonds Versus Cash Funded Projects
 - i. All non-CIP projects should be paid for using rates (programs, system plans, education materials, etc.)
 - ii. All system reinvestment, maintenance, replacement and rehabilitation CIPs should be paid for using rates.
 - iii. CIPs for new infrastructure, growth, or increased capacity can be paid for using bonds.

14. Policy on Debt Issuance and Management

- a. Long-term borrowing shall be confined to capital investments or similar projects with an extended life when it is not practical to be financed from current revenues. The city shall not use long-term debt to finance current operations.
- b. Debt payments shall not extend beyond the estimated useful life of the project being financed. The city shall keep the average maturity of general obligation bonds at or below fifteen years, unless special circumstances arise warranting the need to extend the debt schedule.
- c. The city shall work to maintain strong ratings on its debt including maintaining open communications with bond rating agencies concerning its financial condition.
- d. With council approval, interim financing of capital projects may be secured from the debt financing market place or from other funds through an interfund loan as appropriate in the circumstances.
- e. The city may issue interfund loans when appropriate and consistent with a separately adopted city council policy on the subject.
- f. When issuing debt, the city shall strive to use special assessment, revenue or other self-supporting bonds in lieu of general obligation bonds.
- g. Long-term general obligation debt shall be utilized when necessary to acquire land or capital assets based upon a review of the ability of the city to meet future debt service requirements. The project to be financed should also be integrated with the city's long-term financial plan and capital investment program.
- h. General obligation debt should be used when the related projects are of a benefit to the city as a whole.
 - i. General Obligation Bond (Voted):
 - (a) Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project.
 - ii. Limited Tax General Obligation Bond (Non-Voted):
 - (a) The city should avoid issuing general obligation (non-voted) debt beyond eighty percent (80%) of its general obligation debt capacity.

- i. The city shall use refunding bonds where appropriate when cost savings can be achieved of at least 4% (NPV), restructuring its current outstanding debt and/or improving restrictive bond conditions.
- j. The city's financial team for the issuance of debt shall consist of the council, mayor, CAO, finance administrator, applicable department management (related to the projects to be financed), city legal counsel, designated bond counsel, financial advisor and underwriter in order to effectively plan and fund the city's capital investment projects.
 - i. Through a competitive selection process conducted by the finance administrator with consultation with the mayor, chief administrative officer and legal counsel, the city shall select the most qualified financial advisor / underwriter and bond counsel.
 - ii. These services shall be regularly monitored by the finance administrator.
- k. The city shall evaluate the best method of sale for each proposed bond issue.
 - i. When a negotiated sale is deemed advisable (in consultation with the mayor and city council) the finance administrator shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the city.
 - ii. When a negotiated sale is used, the city shall use an independent financial advisor to advise the city's participants in matters such as structure, pricing and fees.
- l. The city shall comply with IRS regulations concerning use of, and reinvestment of bond proceeds.
 - i. The city shall monitor and comply with IRS regulations with regard to potential arbitrage earnings. If arbitrage earnings are believed to be above amounts provided by IRS regulations, the city will set aside earnings in order to pay the appropriate amount to the federal government as required by IRS regulations.
- m. The city shall provide full secondary market disclosure related to outstanding debt.

15. Policy on Post-Issuance Compliance for Tax-Exempt Bonds

a. Purpose

The purpose of these post-issuance compliance policies and procedures ("Compliance Policy") for tax-exempt bonds issued by The City of Renton, Washington (the "City") is to ensure that the city will be in compliance with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to tax-exempt bonds and other obligations ("bonds") after the bonds are issued so that interest on the bonds will be and remain tax-exempt.

b. Responsibility for Monitoring Post-Issuance Tax Compliance.

The city council of the city has the overall, final responsibility for monitoring whether the city is in compliance with post-issuance federal tax requirements for the city's tax-exempt bonds. However, the city council assigns to the finance administrator of the city the primary operating responsibility to monitor the city's compliance with post-issuance federal tax requirements for the city's tax-exempt bonds.

c. Arbitrage Yield Restriction and Rebate Requirements.

The finance administrator shall maintain or cause to be maintained records of:

- i. purchases and sales of investments made with bond proceeds (including amounts treated as "gross proceeds" of bonds under section 148 of the Code) and receipts of earnings on those investments;

- ii. expenditures made with bond proceeds (including investment earnings on bond proceeds) for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;
- iii. information showing, where applicable for a particular calendar year, that the city was eligible to be treated as a "small issuer" in respect of bonds issued in that calendar year because the city did not reasonably expect to issue more than \$5,000,000 of tax-exempt bonds in that calendar year;
- iv. calculations that will be sufficient to demonstrate to the Internal Revenue Service ("IRS") upon an audit of a bond issue that, where applicable, the city has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;
- v. calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and
- vi. information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

d. Restrictions on Private Business Use and Private Loans.

The finance administrator shall adopt procedures that are calculated to educate and inform the principal operating officials of those departments, including utility departments, if any, of the city (the "users") for which land, buildings, facilities and equipment ("property") are financed with proceeds of tax-exempt bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of tax-exempt bonds to make or finance any loan to any person other than a state or local government unit. In particular, following the issuance of bonds for the financing of property, the Finance Administrator shall provide to the users of the property a copy of this compliance policy and other appropriate written guidance advising that:

- i. "private business use" means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and *the United States of America and any federal agency*, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain "qualified" research contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond-financed property;
- ii. under section 141 of the Code, no more than 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use-that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than *the lesser* of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit;
- iii. before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the finance administrator,

- provide the finance administrator with a description of the proposed nongovernmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;
- iv. in connection with the evaluation of any proposed nongovernmental use arrangement, the Finance Administrator should consult with nationally recognized bond counsel to the City as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any "remedial action" permitted under section 141 of the Code may be taken by the city as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and
 - v. the finance administrator and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

e. Records to be Maintained for Tax-Exempt Bonds.

It is the policy of the city that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds. The records to be maintained are to include:

- i. the official Transcript of Proceedings for the original issuance of the bonds;
- ii. records showing how the bond proceeds were invested, as described in ci above;
- iii. records showing how the bond proceeds were spent, as described in cii above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of "allocations" of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;
- iv. information, records and calculations showing that, with respect to each bond issue, the City was eligible for the "small issuer" exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in ciii, civ and cv above; and
- v. records showing that special use arrangements, if any, affecting bond-financed property made by the city with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of tax-exempt bonds to make or finance loans to any person other than a state or local government unit, as described in 4 above.

The basic purpose of the foregoing record retention policy for the city's tax-exempt bonds is to enable the city to readily demonstrate to the IRS upon an audit of any tax-exempt bond issue that the city has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that interest on those bonds continues to be tax-exempt under section 103 of the Code.

f. Identification and Remediation of Potential Violations of Federal Tax Requirements for Tax-Exempt Bonds.

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- i. So long as any of the Issuer's tax-exempt bond issues remain outstanding, the finance administrator will periodically consult with the users of the issuer's bond-financed property to review and determine whether current use arrangements involving that property continue to comply with applicable federal tax requirements as described in these compliance procedures. This may be accomplished, for example, by periodically meeting with users, providing questionnaires to users about current use arrangements, or adopting other protocols reasonable calculated to ensure compliance with applicable federal tax requirements on a continuing basis. This periodic review may be scheduled, for example, at or before the times that the Issuer is required to file with Municipal Securities Rulemaking Board the annual financial information and operating data pursuant to the Issuer's undertaking, if any, to provide continuing disclosure with respect to outstanding bond issues.
 - ii. If at any time during the life of an issue of tax-exempt bonds, the Issuer discovers a violation of federal tax requirements applicable to that issue may have occurred, the Finance Administrator will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable Internal Revenue Service under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

g. Education Policy with Respect to Federal Tax Requirements for Tax-Exempt Bonds.

It is the policy of the city that the finance administrator and his or her staff, as well as the principal operating officials of those departments of the city for which property is financed with proceeds of tax-exempt bonds should be provided with education and training on federal tax requirements applicable to tax-exempt bonds. The city recognizes that such education and training is vital as a means of helping to ensure that the city remains in compliance with those federal tax requirements in respect of its bonds. The city therefore will enable and encourage those personnel to attend and participate in educational and training programs offered by, among others, the Washington Municipal Treasurers Association and the Washington Finance Officers Association with regard to the federal tax requirements applicable to tax-exempt bonds.

City Funds and Fund Structure

	Key	Report
000 General	A	E
001 Community Services	A	I (000)
003 Streets	A	I (000)
004 Community Development Block Grant	A	I (000)
005 Museum	A	I (000)
098 Economic Development Fund	A	I (000)
108 Leased City Properties	A	I (000)
125 One Percent for Art	A	I (000)
Total General Government		
SPECIAL REVENUE FUNDS:		
110 Special Hotel-Motel Tax		E
127 Cable Communications Development		E
130 Housing and Supportive Services		E
135 Springbrook Wetlands Bank		E
140 Police Seizure Fund		E
141 Police CSAM Seizure Fund		E
304 Fire Impact Mitigation		E
310 Renton SD Impact Mitigation		E
311 Issaquah SD Impact Mitigation		I (310)
312 Kent SD Impact Mitigation		I (310)
DEBT SERVICE FUNDS:		
215 Gen Govt Misc Debt Service		E
CAPITAL PROJECT FUNDS (CIP):		
303 Community Services Impact Mitigation		E
305 Transportation Impact Mitigation		I (317)
308 REET 1 Fund		E
309 REET 2 Fund		E
316 Municipal Facilities CIP		E
317 Transportation CIP		E
336 New Library Development		I (316)
346 Family First		I (316)

A. General Government Funds share general revenues. Therefore, no interest shall be charged for loans between funds.

E. External Fund for Reporting Purposes

I. Internal Fund for Management Purposes

City Funds and Fund Structure (continued)

ENTERPRISE FUNDS:	Key	External Reporting	Internal Reporting
402 Airport Operations		E	
403 Solid Waste Utility		E	
404 Municipal Golf Course System		E	
405 Water Operations	B	E	
406 Wastewater Operations	B	I (405)	
407 Surface Water Operations	B	I (405)	
416 King County Metro	B	I (405)	(406)
422 Airport Capital Investment		I (402)	
424 Municipal Golf Course System CIP		I (404)	
425 Water CIP	B	I (405)	(405)
426 Wastewater CIP	B	I (405)	(406)
427 Surface Water CIP	B	I (405)	(407)
471 Waterworks Rate Stabilization	B	I (405)	(405)
INTERNAL SERVICE FUNDS:			
501 Equipment Rental		E	
502 Insurance		E	
503 Information Technology		I (501)	
504 Facilities		I (501)	
505 Communications		I (501)	
512 Healthcare Insurance		I (502)	
522 Leoff1 Retirees Healthcare		I (502)	
FIDUCIARY FUNDS:			
611 Firemen's Pension		E	

B. Water Utility Funds shall be managed as a system such that balance sheet accounts are merged for management and reporting purposes.

E. External Fund for Reporting Purposes

I. Internal Fund for Management Purposes