Peninsula Metropolitan Park District

Comprehensive Financial Management Policy

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Policy: **Comprehensive Financial Management**
(Approved by the PenMet Parks Board of Park Commissioners)

Purpose: The Peninsula Metropolitan Park District (PenMet Parks) is accountable to its citizens for its use of public money. The establishment and maintenance of wise financial and fiscal policies enable officials of PenMet Parks to protect the public interest and ensure public trust.

This Financial Management Policy defines the current policies to be used by PenMet Parks to meet its immediate and long-term service goals and operate in a financially prudent manner. The individual policies contained

herein serve as general guidelines for both financial planning and internal financial management of PenMet Parks.

This policy ensures that the District is positioned to respond to changes and the economy or new service requirements without an undue amount of financial stress.

This policy is also established to maintain a good credit rating in the financial community and assure taxpayers that the District is well managed financially and maintained in sound fiscal condition.

The District will adhere to the highest accounting and management policies as set by the Government Finance Officers' Association, the Governmental Accounting Standards Board, and other professional standards for financial reporting and budgeting.

Table of Contents

Section 1. General Responsibilities 4

Section 2. Objectives 5

Section 3. General Policies 6

Section 4. Financial Planning and Reserve Policies 7

Section 5. Operating Budget Policies 9

Section 6. Budgetary Control Policies 11

Section 7. Revenue Policies 13

Section 8. Expenditure Policies 15

Section 9. Investment Policy 17

Section 10. Accounting and Reporting Policies 18

Section 11. Fund Policies 19

Section 12. Debt Policies 22

Section 13. Communication Policies 27

Section 14. Compliance Policies 28

Section 15. Capital Improvement and Capital Budget Policies 29

Section 16. Cash and Purchasing Policies 31

Policy Requirements:

Section 1. General Responsibilities

The PenMet Parks Board of Park Commissioners (the “Board”) is responsible for approving the annual Operating Budget and the Capital Improvement Plan as well as establishing the policy direction for PenMet Parks under Washington State Law. Sound business practice and good government dictate that the Board establishes policies regarding the fiscal activities of PenMet Parks in accordance with applicable local, state, and federal laws and regulations.

District staff, under the direction of the Executive Director, is responsible for proposing programs, recommending funding levels, and formulating budget proposals for implementing service programs in accordance with established goals and directives.

Section 2. Objectives

The objectives of the Comprehensive Financial Management Policy are:

- To guide the Board and management for policy decisions having significant fiscal impact;
- To set forth operating principals to minimize the cost of government and limit financial risk;
- To employ balanced and fair revenue policies to provide sufficient funding for desired programs;
- To maintain appropriate financial capacity for bonded indebtedness for present and future needs;
- To promote sound financial management by providing accurate and timely information regarding PenMet Parks' financial condition;
- To protect PenMet Parks' credit rating and provide for adequate resources to meet the provisions of PenMet Parks' debt obligations;
- To ensure the legal use of financial resources through an effective system of internal controls; and
- To promote cooperation and coordination with other governments, non-profits, and the private sector in the financing and delivery of services.

Section 3. General Policies

A. The Board may adopt resolutions to set financial policies to assure the financial strength and accountability of the District.

B. The Executive Director shall develop administrative directives and general procedures for implementing the Board's financial policies.

C. All 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.

D. The District shall establish and maintain a compensation and benefit package that is competitive with the public and private sectors to attract and retain employees necessary for providing high quality services.

E. The District will strive to coordinate 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 level.

F. The District will strive to initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.

G. The District will strive to maintain fair and equitable relationships with its vendors, contractors, and suppliers.

Section 4. Financial Planning and Reserve Policies

A. The District engages in a financial planning process which encompasses important policy considerations and provides guidelines for all aspects of the District's financial management strategy.

B. The General Fund's targeted unreserved fund balance will be a goal of twenty-five percent (25%) or greater of annual expenditures of the General Fund, excluding capital expenditures (the "Reserve Fund").

C. This Reserve Fund will be established and maintained annually in the District budget as District resources allow to:

1. Offset unanticipated economic downturns and necessary revisions to any general municipal purpose fund; and

2. Provide a sufficient cash flow for daily financial needs at all times.

D. The District will maintain sufficient funds in the Reserve Fund to meet any existing debt service or other agreements.

E. All transfers from the Reserve Fund will require Board approval.

F. In addition to the Reserve Fund, the District also maintains other "unrestricted reserve funds" including the Capital Projects Fund and Equipment Replacement Fund.

G. Fees and charges collected for services:

1. Recreation (Program) Fees collected will be utilized to off-set the cost of direct expenses related to the delivery of District sponsored recreation programs.

2. Facility Use and Rentals Fees and Charges are typically used to off-set the cost of direct maintenance expenses related to facilities maintained and operated by the District. The Board will direct 100% of these fees to a Permanent Fund such as a restricted maintenance endowment fund(s) to support park maintenance in general or for a specific park or facility. This will be determined by the Board during the budget process.

Financial Forecasting:

A. PenMet Parks shall develop and maintain annually a financial forecast for the General Fund that estimates fund resources and uses for a period of six (6) years beyond the current year. This forecast will be updated annually and provide PenMet Parks' decision makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool should recognize the effects of economic cycles, the demand for services and PenMet Parks' projected resources. It is the goal of PenMet Parks to achieve a strong financial condition with the ability to:

- Withstand local and regional economic conditions;
- Adjust efficiently to the changing service requirements within the District's boundaries; and
- Effectively maintain and improve PenMet Parks' infrastructure.

B. The forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of economic growth. PenMet Parks' financial planning should ensure the continued delivery of needed services by assuring the availability of adequate and ongoing resources during economic downturns.

Section 5. Operating Budget Policies

A. The Board will adopt and maintain a balanced annual operating budget.

B. The operating budget will define the District's annual financial plan as developed by the Board and staff in establishing goals and objectives for the ensuing year. The intent of the budget is that one-time and routine expenditures will be financed with current resources.

C. The operating budget shall serve as the annual financial plan for the District. It will serve as the policy document of the Board for implementing the Board's goals and objectives. The budget will provide staff with the resources necessary to accomplish the determined service levels.

D. Balanced revenue and expenditure forecasts will be prepared to examine the District's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements.

E. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the reserves may be used, but only if developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.

F. The budget will give first consideration to ongoing mission led programs before the addition of any new program. Budgets associated with any proposed new program should be submitted and reviewed at least four months prior to adoption and incorporation into the budget. Additional personnel should be recommended only after the need has been fully substantiated. Personnel not authorized in the budget must be approved by the Board.

G. The budget will reflect the projection of all revenues from all sources and all expenditures and present the level of governmental services and method of allocating costs in the provision of these services to the community.

H. Current operating expenditures will be paid from current revenues and cash carried over from the prior year after the reserve requirements are met. The District will avoid budgetary and accounting practices that balance the current budget at the expense of future budgets.

I. The District will maintain a level of expenditures that will enhance public wellbeing and quality of life for the residents of the community.

J. A multi-year maintenance and replacement schedule will be developed based on the District's projections of its future replacement and maintenance needs. The projections will be updated and the schedule revised on an annual basis.

K. The budget will provide sufficient levels of maintenance and replacement funding to ensure that all capital facilities and equipment are properly maintained and that such future costs will be minimized.

L. Year-end surpluses in the General Fund may be used for nonrecurring emergency capital expenditures or dedicated to the Capital Program. The following criteria must be met to qualify any portion of the General Fund surplus for these purposes:

- There are surplus balances remaining after the Reserve Fund is fully funded and allocations to the other funds are made;
- An analysis has occurred assuring that the District has an adequate level of short and long-term funding resources to support the proposed alternate use of the surplus balances; and
- The funds are specifically appropriated by the Board.

Section 6. Budgetary Control Policies

A. The District will adopt a twelve (12) month balanced calendar year budget with annual financial reporting. The balanced budget means budgeted expenditures will not exceed the available resources of the beginning fund balance plus all revenues.

B. The budget will be developed and administered in compliance with all applicable State of Washington budgetary statutes.

The Administration will maintain a system for monitoring the District's budget performance. The system will include provisions for amending the budget during the year in order to address unanticipated needs, surpluses or emergencies.

C. Accounting and reporting practices will be maintained to provide accurate and timely monitoring of the District's budget performance.

D. Appropriations requested after the original budget is adopted will be approved only after consideration of the elasticity of anticipated revenues. Such appropriations must be approved by the Board.

E. Monthly budget reports and monthly financial reports will be issued by the Executive Director or his or her designee to the Board reporting on the actual performance compared to budget estimates.

F. The budget may be adjusted during the year in order to address unanticipated needs, emergencies or changes in work plan. Adjustments or amendments will occur through a process coordinated by the Executive Director or his or her designee.

G. The budget is adopted at the fund level with allocations made for administrative control. Reallocation of existing appropriation does not change the adopted budget "bottom-line." It may become necessary to shift allocations between line items, programs, or even departments to meet unanticipated needs, emergencies, or changes in work plan. As long as the total fund budget is not changed, the adjustment can be done administratively with the authorization of the Department Manager and approval of the Executive Director with the exception of any shift of allocation from the Maintenance Department which requires approval by the Board.

H. The Executive Director has the authorization to transfer money between funds and between projects within the CIP, but only if approved by the Board in advance and as part of amending the adopted budget.

I. The budget may also be amended during the year in order to address unanticipated needs, emergencies or changes in work plan. Formal amendment of the budget through Board approved resolution amending the expenditure appropriation and the related funding source is required when a fund's total budget changes. The change can either be when existing budget authority is moved between funds or when a new budget authority is needed such as in the case of receiving additional grant funding.

Section 7. Revenue Policies

A. The District will strive for a diversified and stable revenue system to protect against short-term fluctuations in any one revenue source. The District will seek to avoid dependence on temporary or unstable revenues to support on-going services. The District will also seek to avoid dependence on federal or state revenues. The revenue mix should combine revenue source types that minimize the effect of an economic downturn.

B. Because revenues, especially those of the General Fund, are sensitive to local and regional economic conditions, revenue estimates will be conservative and will be made using an objective, analytical process.

C. General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by the Board or required by law. All non-restricted revenues will be deposited into the General Fund and appropriated through the budget process.

D. The District will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised and expenses will be reduced to conform to the revised long-term revenue forecast or alternative revenue sources will be considered.

E. The District will follow an aggressive and professional policy of collecting revenues and, when necessary, discontinuing service, pursuing the claim in court, utilizing a collection agency and other reasonable methods of collection (such as imposing penalties, collection and late charges) may be used.

<u>Fees and Charges</u>

F. The District will charge appropriate service user fees instead of ad valorem (property) taxes or subsidies from other District funds, for services that can be identified and where costs are directly related to the level of service provided.

1. Park recreation programs shall be funded by a user charge. User charges shall be comparable to other neighboring municipalities where practical.

2. Reimbursable work performed by the District (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual

cost.

3. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service where practical. The cost of providing specific services shall be recalculated periodically, and if necessary, the fee adjusted accordingly. The District shall maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges will be reviewed every three years at a minimum.

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

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

Grants and Gifts

G. Grant funding for programs or items which address the District's current priorities and policy objectives should be considered to leverage District funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.

H. Before accepting any grant, the District shall thoroughly consider whether or not the terms of the grant will have a negative impact on any on-going obligations.

I. 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 District's Donation Policy and the wishes and instructions of the donor.

Section 8. Expenditure Policies

A. The District will strive to adopt an annual General Fund budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.

B. Department Managers are responsible for managing their budgets within the total appropriation for their department.

C. The District 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 District may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this should be avoided if possible.

D. Long-term debt or bond financing shall not be used to finance current operating expenditures.

E. Consideration will be placed on improving individual and work group productivity rather than adding to the work force. The District will invest in technology and other efficiency tools to maximize productivity. The District will hire additional staff only after the need for such positions has been demonstrated and documented.

F. All compensation planning will focus on the total costs of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the District. Contracts presented for approval by the Executive Director that do not meet these requirements will have specific operational, legal or other compulsory items identified and discussed before ratification by the Board will be considered.

G. 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 or not aligned with the mission of the District have the potential to be reduced in scope or eliminated.

H. The District will make every reasonable effort to maximize any discounts offered by creditors/vendors.

Section 9. Investment Policy

Funds are managed by the Pierce County Treasurer (see Pierce County Investment Policies).

District staff will review all investments at least monthly.

Monthly investment reports will be issued by the Executive Director or his or her designee to the Board to monitor the District's Investment fund performance and fees.

Section 10. Accounting and Reporting Policies

A. The District's accounting and financial reporting will follow the Washington State Auditor's Office prescription for the accounting and reporting of local governments in the State of Washington under RCW 43.09.200.

B. The State Auditor's Office provides a standard account classification system through its Budgeting Accounting and Reporting System (BARS). The District is classified as a Special Purpose Governmental District and will maintain its records on a basis consistent with the Category 2 BARS manual.

C. The Executive Director or his or her designee will maintain electronic financial systems to monitor expenditures, revenue, and performance of all District programs on an on-going basis. The Board will receive regular monthly reports that will present a summary of financial activity for the period and the cumulative data for the budget year.

D. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose.

E. Revenues are recognized only when cash is received and expenditures are recognized only when paid, including those properly chargeable against the report year budget appropriations as required by State law. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

F. The Executive Director or his or her designee shall maintain fixed asset records for all capital assets owned by the District. The threshold for capitalization of non-infrastructure assets is $25,000.

G. The State Auditor's Office will perform a financial and compliance audit on a scheduled basis and issue an audit report. Results of the audit will be provided to the Board.

H. <u>The District will conduct an internal financial review on an annual basis.</u>

Section 11. Fund Policies

To be consistent with text contained in the annual budget, the following is a list of District Financial Funds:

A. General Fund

The General Fund is the general operating fund of the District. This fund is used to account for all financial resources and expenditures of the District which are not accounted for in other funds.

The General Fund provides funding for general purpose governmental services to the citizens. This fund is used to account for all general financial resources except those that must be accounted for in a special revenue fund.

B. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specific purposes.

1. Reserve Fund
   Use of reserve funds must be authorized by a Resolution of the Board.

2. Recreational Activities Fund
   The Recreational Activities Fund is user fee based. Revenues are collected and used to operate a particular recreational activity with excess funds used for improvements to support programs, facilities, and events.

3. Equipment Replacement Fund
   Use of this fund is restricted to capital equipment replacement and is funded annually by the General Fund at 100% of equipment replacement value divided by the number of years of useful life.

C. Debt Service Fund

1. The Debt Service Fund is used only to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.
   This fund contains several types of debt including but not limited to:
   - Special Voter Approved Levies
   - Voted Unlimited Tax Obligation Bonds

- Non-Voted Limited Tax Obligation Bonds
- General Obligation Bonds

2. Under RCW 39.36.020(2), the public may vote to approve bond issues [known as Unlimited Tax General Obligation (UTGO) Bonds] for general government in an amount not to exceed 2.5% of the assessed valuation, less any other outstanding debt.
   All voter approved UTGO Bonds require a 60% majority approval and to validate the election, the total votes cast must equal to at least 40% of the total votes cast in the last general election.
   The Board may approve non-voted bond issues known as Limited Tax General Obligation (LTGO) Bonds. The non-voted debt capacity limit may not to exceed 0.25% of the District's assessed valuation, less any other outstanding non-voted debt.

3. Debt service for voter approved UTGO Bond issues are funded with special excess property tax levies. By law, the maximum financing term for UTGO Bonds is 40 years or less.

   Debt service for non-voted LTGO Bond issues are funded through regular property taxes and other money lawfully available. By law, the maximum financing term for LTGO Bonds is 40 years or less.

D. Permanent Funds

Permanent Funds are legally restricted so only earnings, not principal, may be used to support the specific government program. The Board will adopt separate policies governing the management of restricted funds such as endowments.

E. Capital Improvement Funds

Capital Improvement Funds account for the purchase, construction, replacement, addition, or major repair of public facilities and major equipment. These projects differ from routine maintenance in that their cost is generally greater than $25,000 and they have a useful life of generally ten (10) years or more. Examples may include but are not limited to: buildings, bridges, parks, major trails, and significant pieces of equipment.

F. Depository Account

All District funds received shall be deposited in the bank of record within three (3) business days of receipt, except when staffing levels are inadequate to timely make such deposits, but in such events such deposits shall be made as soon as reasonably possible not to exceed two (2) weeks. Funds are automatically transferred from the depository account to the District's fund account with Pierce County (the District's Treasurer).

G. Fund Balance and Maintenance of Minimum Reserve Levels

The District shall strive to maintain adequate fund balances (reserves) in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies. Operating expenditures shall include salaries, benefits, supplies, professional services, intergovernmental and interfund expenses, capital outlays and transfers.

Section 12. Debt Policies

A. Capital Planning:

The District shall integrate its debt issuance with its Capital Improvement Program (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 District 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.

B. Legal Governing Principles

In the issuance and management of debt, the District 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 District may contract indebtedness as provided for by state law, subject to the statutory and constitutional limitations on indebtedness.
2. Federal Rules and Regulations – The District 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 thereunder; and the Securities Acts of 1933 and 1934.
3. Local Rules and Regulations – The District shall issue and manage debt in accordance with the limitations and constraints imposed by local rules, policies, and regulations.

C. Roles & Responsibilities

The Board:

1. Approves indebtedness;
2. Approves appointment of the bond underwriter and bond counsel;
3. Approves the Financial Management Policy, including the section on the Debt Policy; and

4. Approves budgets sufficient to provide for the timely payment of principal and interest on all debt.

The Executive Director (and/or Director of Finance ~~Manager~~) in consultation with the Board:

1. Assumes primary responsibility for debt management;
2. Provides for the issuance of debt at the lowest reasonably possible cost and risk;
3. Determines the available debt capacity;
4. Provides for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
5. Recommends to the Board the manner of sale of debt;
6. Monitors opportunities to refund debt and recommends such refunding as appropriate;
7. Complies with all Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt;
8. Provides for the timely payment of principal and interest on all debt and ensures that the fiscal agent receives funds for payment of debt service on or before the payment date;
9. Provides for and participates in the preparation and review of offering documents;
10. Complies with all terms, conditions and disclosure required by the legal documents governing the debt issued;
11. Submits to the Board all recommendations to issue debt;
12. Provides for the distribution of pertinent information to rating agencies;
13. Complies with undertakings for ongoing disclosure pursuant to SEC Rule 15c2-12; and
14. Applies and promotes prudent fiscal practices.

D. <u>Ethical Standards Governing Conduct</u>

The members of the District's staff 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.

E. Types of Debt Instruments:

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

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

   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. UTGO Bonds are payable from excess tax levies and are subject to the approval 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 District to use a portion of its regular property tax levy sufficient to meet its debt service obligations but only up to a statutory limit. The District shall use LTGO Bonds as permitted under State law for lawful purposes only. L T G O debt is backed by the full faith and credit of the District and is payable from regular property taxes and other money lawfully available. LTGO Bonds will only be issued if:

   a. The District determines they can afford the payments;

   b. A project requires funding not available from alternative sources;

   c. Matching fund monies are available which may be lost if not applied for in a timely manner; or,

   d. Emergency conditions exist.

3. **Revenue Bonds** – The District shall use Revenue Bonds as permitted under State law for the purpose of financing construction or improvements to facilities of enterprise systems (if any) operated by the District in accordance with the Capital Improvement Plan.

4. **Short-Term Debt** – The District shall use short-term debt as permitted by State law for the purpose of meeting 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 District may use interfund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Interfund 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. All interfund loans will be subject to the Board's approval and will bear interest at prevailing rates.

5. **Leases** – The District is authorized to enter into capital leases under State law, subject to the approval of the Board.

F. General Requirements

1. The District 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.
2. The term of the debt shall never extend beyond the useful life of the improvements to be financed, and generally the term of the debt will not exceed thirty (30) years.
3. The general policy of the District is to establish debt repayment schedules that use level annual debt service payments (i.e., principal plus interest).
4. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond resolution, 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 resolution that authorized the issuance of the debt.

5. The District will use the most prudent methods of acquiring capital outlay items, including the use of a direct payment to a bank or lease-purchase agreements. In no case will the District enter into a lease-purchase agreement if the equipment has a useful life that is less than the term of the lease.
6. The District 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 District will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
7. The District shall use refunding bonds in accordance with the Refunding Bond Act, as amended or superseded. Unless otherwise justified, the District 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 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any "current refunding," unless otherwise justified.
8. With the Board's approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an interfund loan as appropriate in the circumstances.
9. An independent outside financial advisor may be used to provide the District with objective advice and analysis on debt issuance.
10. A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided by RCW chapter 43.80 the District will use the fiscal agent appointed by the State.
11. Projects proposed for financing through general obligation debt will be accompanied by an analysis of the future operating and maintenance costs associated with the project.

Section 13. Communication Policies

A. It is the policy of the District to remain as transparent as possible.

B. The District shall manage relationships with the rating analysts assigned to the District's credit, using both informal and formal methods to disseminate information.

C. The District'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 District will report its compliance with debt targets and the goals of the Debt Policies.

D. The District shall strive to maintain and improve its current bond rating.

Section 14. Compliance Policies

A. Investment of Proceeds

The District 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 time period over which some of the proceeds may be invested.

B. Legal Covenants

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

C. Periodic Policy Review

At a minimum, the Financial Management Policies and the District's Post Issuance Compliance Policy will be reviewed and updated every five (5) years.

Section 15. Capital Improvement and Capital Budget Policies

A. It is the District's policy to ensure that adequate resources are allocated to preserve existing infrastructure and other capital assets before targeting resources toward construction or acquisition of public facilities or major equipment. The District will maintain its physical assets at a level adequate to protect its capital investment and minimize future maintenance and replacement costs. The budget will provide for the orderly replacement of the capital assets from current resources where possible. Long-term borrowing for capital facilities is considered an appropriate method of financing large facilities that benefit more than one generation of users.

B. The District will develop a six-year Capital Improvement Plan (CIP) to identify and coordinate infrastructure, facility, and major pieces of equipment needs and what facilities to construct, their location, timing, projected cost, and funding sources in a way that maximizes the return to the community. The plan is directed at improving the parks and recreational infrastructure for the community. All capital improvements will be made according to the adopted CIP.

C. The CIP will be formulated using an analysis of long-term, overall resources and will include projected funding sources and ongoing operations and maintenance costs. Future changes in economic or demographic factors identified in the financial forecasting process will be incorporated in the capital budget projections. The plan will be updated annually.

D. The first year of the CIP will constitute the capital budget for the ensuing budget year. The capital budget and the base operating budget will be reviewed at the same time to assure that the District's capital and operating needs are evaluated in a balanced manner.

E. The District will reasonably determine the least costly financing method for all new projects. Whenever possible, the District will use intergovernmental assistance and other outside resources to fund capital projects. Additional funding may come from designated surpluses in the General Fund and certain special revenue funds as outlined in the operating budget policy.

F. Projects contained within the CIP will include capital costs as well as ongoing operating costs.

G. For the purposes of this section, a CIP project is defined as any one project or a grouping of similar projects that are reasonably

related where the cost exceeds $25,000 and/or a life span of more than 10 years; involves new construction or reconstruction designed to replace an existing system or facility; acquisition of land or structures; involves District funding in whole or in part; or involves no District funding but is the District's responsibility to implement, operate or maintain, such as a 100 percent grant funded project.

H. Minor equipment that falls below the capital asset threshold but is subject to shrinkage shall have a District property tag affixed to it when placed into service and will be accounted for on the "Small and Attractive" inventory list.

I. The Finance Department will coordinate an annual physical count/inspection of all capital assets.

J. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count / inspection.

Section 16. Cash and Purchasing Policies

A. The Executive Director or his or her designee will develop, maintain, and constantly seek to improve cash management systems which ensure the accurate and timely accounting, investment and security of all cash assets. Written cash handling procedures are updated periodically and made available to all departments.

B. Purchase of goods and services will be accomplished by a separate purchasing policy adopted by the Board.

C. Payroll costs are authorized by budget adoption.

D. Expenditures will be within current resource projections at the fund level.