CALL CITY COUNCIL REGULAR MEETING TO ORDER

ROLL CALL/PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMUNICATION - NONE

PUBLIC COMMENT Speakers will state their name, address, and organization. Comments are directed to the City Council, not the audience or staff. Comments are not intended for conversation or debate and are limited to no more than four minutes per speaker. Speakers may request additional time on a future agenda as time allows.

RECEPTION FOR OUTGOING COUNCILMEMBER MARK LANZA

APPROVE CONSENT AGENDA

C-1. Minutes: October 24, 2017 Special & Regular Meetings; October 28, 2017 Budget Workshop; and November 14, 2017 Joint Meeting with Human Services Commission (Scott)

C-2. Vouchers (Hendrickson)

C-3. Approve Agreement with Olympic Environmental Resources for 2018 Recycling Events (Vondran)

C-4. Consider Ordinance Adopting a 2017 Budget Amendment (Hendrickson)

C-5. Consider Ordinance Revising City Boundary to Include Full Width of SE 240th Street (Mueller)

C-6. Consider Resolution Adopting New Financial Management Policies (Hendrickson)

C-7. Consider Ordinance Amending Ordinance 21-2017 (Hendrickson)

C-8. Approve Agreement with James G. Murphy Co. to Surplus Used Vehicles and Equipment through Public Auction (Vondran)

PUBLIC HEARINGS

1. Receive Public Testimony and Consider Resolution to Surplus Cedar Creek Park and Consider Sale of the Park Property to King County (Newton)

NEW BUSINESS

2. Consider Appointment to Covington Economic Development Council (Council)

3. Consider Ordinance Adopting CY2018 Operating and Capital Budget and Implement CY2018 Cost of Living Adjustment for City Employees (Hendrickson)

4. Review 2017 Summit Action Items (Bolli)
FUTURE AGENDA ITEMS

COUNCIL/STAFF COMMENTS

PUBLIC COMMENT *See Guidelines on Public Comments above in First Public Comment Section

EXECUTIVE SESSION
  • To Review the Performance of a Public Employee Pursuant to RCW 42.30.110(1)(g).

ADJOURN

Americans with Disabilities Act – reasonable accommodations provided upon request a minimum of 24 hours in advance (253-480-2400).
SUBJECT: APPROVAL OF MINUTES: OCTOBER 24, 2017 CITY COUNCIL SPECIAL & REGULAR MEETINGS MINUTES; OCTOBER 28, 2017 CITY COUNCIL SPECIAL MEETING-BUDGET WORKSHOP MINUTES; AND NOVEMBER 14, 2017 SPECIAL MEETING-JOINT STUDY SESSION WITH HUMAN SERVICES COMMISSION MINUTES

RECOMMENDED BY: Sharon G. Scott, City Clerk

ATTACHMENT(S): Proposed Minutes

PREPARED BY: Joan Michaud, Senior Deputy City Clerk

EXPLANATION:

ALTERNATIVES:

FISCAL IMPACT:

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution X Motion _____ Other

Councilmember _______ moves, Councilmember _______ seconds, to approve the October 28, 2017 City Council Special & Regular Meetings Minutes; October 28, 2017 City Council special Meeting-Budget Workshop Minutes; and November 14, 2017 Special Meeting-Joint Study Session with Human Services Commission Minutes.
City of Covington
Special & Regular City Council Meeting Minutes
Tuesday, October 24, 2017

INTERVIEWS– 6:40-7:00 P.M.: 
The Council conducted an interview for the Youth Council. Applicant interviewed: Fayth Njenga.

The Regular Meeting of the City Council of the City of Covington was called to order in the City Council Chambers, 16720 SE 271st Street, Suite 100, Covington, Washington, Tuesday, October 24, 2017, at 7:03 p.m., with Mayor Wagner presiding.

COUNCILMEMBERS PRESENT:
Jeff Wagner, Joe Cimaomo, Margaret Harto, Fran Hollums, Marlla Mhoon, and Sean Smith.

COUNCILMEMBERS ABSENT:
Mark Lanza.

Council Action: Councilmember Hollums moved and Councilmember Cimaomo seconded to excuse Councilmember Lanza. Vote: 6-0. Motion carried.

STAFF PRESENT:
Kathy Hardy, City Attorney and Acting City Manager; Andrew McCurdy, Covington Police Chief; Ethan Newton, Parks & Recreation Director; Don Vondran, Public Works Director; Richard Hart, Community Development Director; Rob Hendrickson, Finance Director; and Sharon Scott, City Clerk/Executive Assistant.

Mayor Wagner opened the meeting with the Pledge of Allegiance.

APPROVAL OF AGENDA:
Council Action: Councilmember Cimaomo moved and Councilmember Mhoon seconded to approve the Agenda. Vote: 6-0. Motion carried.

PUBLIC COMMENT:
Mayor Wagner called for public comments.

Mary Pritchard, Covington resident, provided positive feedback on the Jenkins Creek Park Master Plan Public Workshop held on October 18.

Cynthia Calhoun, Covington resident, promoted the Covington citizens group and invited people to join.

A citizen began to speak regarding the budget, and Mayor Wagner advised her that comments regarding the budget would be taken during the Public Hearing public comment period.

There being no further comments, Mayor Wagner closed the public comment period.
APPROVE CONSENT AGENDA:

C-1. Minutes: May 24, 2017 City Council Special Joint Meeting with Black Diamond and Maple Valley Minutes and July 25, 2017 City Council Regular Meeting Minutes.

C-2. Vouchers: Vouchers #36480 - #36530, including ACH payments in the amount of $1,379,891.28, dated October 13, 2017; and Paylocity Payroll Vouchers #1007516122 - #1007516139 inclusive, plus employee direct deposits and wire transfers, in the amount of $195,056.71, dated October 06, 2017.

C-3. Authorize City Manager to Execute 2018-2019 South County Area Transportation Board Agreement and Adopt Operating Procedures Revision.

C-4. Accept Detention Pond Restoration Project.

ORDINANCE NO. 15-2017


ORDINANCE NO. 16-2017


Council Action: Councilmember Mhoon moved and Councilmember Harto seconded to approve the Consent Agenda. Vote: 6-0. Motion carried.
REPORTS OF COMMISSIONS:
Human Services Commission – no report.

Arts Commission – Chair Ed White reported on the October 12 meeting.

Parks & Recreation Commission – Chair Laura Morrissey reported on the October 18 meeting.

Youth Council – Anna McLaughlin reported on the August 15, September 19, and October 17 meetings.

Planning Commission – No report. September and October meetings canceled.

Economic Development Council – Chair Josh Lyons reported on the September 28 meeting.

PUBLIC HEARINGS
1. Receive Public Testimony and Presentation from Staff Regarding 2018 Revenue Sources and Possible Increase in Property Tax Revenues.

Finance Director Rob Hendrickson gave the staff report on this item.

Mayor Wagner called for public comments for the public hearing.

A citizen spoke, but due to technical difficulties in the recording of the meeting, this item was not captured in the record.

There being no further comments, Mayor Wagner closed the public comment period for the public hearing.


Community Development Director Richard Hart gave the staff report on this item.

Mayor Wagner called for public comments for the public hearing.

There being no comments, Mayor Wagner closed the public comment period for the public hearing.

ORDINANCE NO. 17--2017

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, RELATING TO TEMPORARY AND PERMANENT SIGNS; CONTINUING INTERIM ZONING REGULATIONS FOR TEMPORARY AND PERMANENT SIGNS; ADMINISTRATION, PERMITTING, AND ENFORCEMENT IN THE COVINGTON MUNICIPAL CODE
COUNCIL/STAFF COMMENTS:
Councilmembers and staff made comments.

Council Action: There was Council consensus to move the discussion of Safe Injection Sites agenda item to the November 28 meeting as requested by Councilmember Mhoon.

City Attorney Kathy Hardy reminded the audience that the Public Comment periods during Council meetings cannot be used to campaign for or against any ballot measure or candidate.

PUBLIC COMMENT:
Mayor Wagner called for public comments.

Stephen Bahr, Covington resident, spoke as a brand-new resident about how he and his family were enjoying Covington after their move from Florida.

There being no further comments, Mayor Wagner closed the public comment period.
ADJOURNMENT:
There being no further business, the meeting was adjourned at 8:20 p.m.

Prepared by:          Submitted by:
____________________  ____________________
Joan Michaud          Sharon Scott
Senior Deputy City Clerk  City Clerk
The Special Meeting for the Budget Workshop was called to order in the City Council Chambers, 16720 SE 271st Street, Suite 100, Covington, Washington, Saturday, October 28, 2017, at 8:00 a.m., with Mayor Wagner presiding.

COUNCILMEMBERS PRESENT:
Jeff Wagner, Joe Cimaomo, Margaret Harto, Fran Hollums, Mark Lanza, Marlla Mhoon, and Sean Smith.

STAFF PRESENT:
Regan Bolli, City Manager; Andrew McCurdy, Covington Police Chief; Ethan Newton, Parks & Recreation Director; Don Vondran, Public Works Director; Richard Hart, Community Development Director; Rob Hendrickson, Finance Director; Casey Parker, Senior Accountant; Noreen Beaufreere, Personnel Manager; Kathy Hardy, City Attorney; and Sharon Scott, City Clerk/Executive Assistant.

Mayor Wagner called the Budget Workshop to order.

APPROVAL OF AGENDA:
Council Action: Councilmember Harto moved and Councilmember Cimaomo seconded to approve the Agenda. Vote: 7-0. Motion carried.

ITEMS FOR DISCUSSION:
1. Review Budget Strategies.

City Manager Regan Bolli gave the staff report on this item.

2. Department 2017 Budget Presentations.

Executive: City Manager Regan Bolli gave the presentation on this item.

Finance: Finance Director Rob Hendrickson gave the presentation on this item.

Police: Covington Police Chief Andy McCurdy gave the presentation on this item.

Community Development: Community Development Director Richard Hart gave the presentation on this item.

Public Works: Public Works Director Don Vondran gave the presentation on this item.

Councilmember Harto presented an emergency management decision card.

Council recessed for a few minutes break from 9:58 to 10:02 a.m.
Parks & Recreation: Parks & Recreation Director Ethan Newton gave the presentation on this item.

3. Review Budget Forecast.

Finance Director Rob Hendrickson gave the presentation on this item.

Council recessed from 12:10 to 12:32 p.m. to obtain catered lunch and continued a working lunch.

There was Council consensus to fund: Emergency Management Coordinator, 0.5 FTE; Police Sergeant, contract with KCSO; and Code Enforcement Officer, 0.5 FTE to 1 FTE. The majority of Council was not in favor of funding an additional $10,000 for Community Events.

**ADJOURNMENT:**
There being no further business, the meeting was adjourned at 1:50 p.m.

Prepared by: Sharon Scott
Senior Deputy City Clerk

Submitted by:
City Clerk
City of Covington  
City Council Special Meeting  
Joint Study Session with Human Services Commission Minutes  
Tuesday, November 14, 2017

The Special Meeting - Joint Study Session with the Human Services Commission was called to order in the City Council Chambers, 16720 SE 271st Street, Suite 100, Covington, Washington, Tuesday, November 14, 2017, at 5:58 p.m., with Mayor Pro Tem Smith presiding.

COUNCILMEMBERS PRESENT:  
Joe Cimaomo, Fran Hollums, Mark Lanza, Marlla Mhoon, and Sean Smith.

COUNCILMEMBERS ABSENT:  
Jeff Wagner and Marlla Mhoon.

HUMAN SERVICES COMMISSIONERS PRESENT:  
Leslie Hamada, Jaquelyn Ball, Debbie Jacobson, and Chris Dupuis.

HUMAN SERVICES COMMISSIONERS ABSENT:  
Emily Bykonen and Kaitlin Jenkins.

CITY STAFF PRESENT:  
Regan Bolli, City Manager; Andrew McCurdy, Covington Police Chief; Noreen Beaufre, Personnel Manager; Julie Johnston, Personnel & Human Services Planner; and Sharon Scott, City Clerk/Executive Assistant.

Mayor Pro Tem Smith called the joint study session to order.

APPROVAL OF AGENDA:  
Council Action: Councilmember Cimaomo moved and Councilmember Lanza seconded to Approve the Agenda. Vote: 5-0. Motion carried.

ITEMS FOR DISCUSSION:  
1. Human Services Funding & 2018 Possible Events.

Chair Leslie Hamada reported on funding and possible events.


Vice Chair Chris Dupuis reported on site visits and success stories.

3. Discuss Resources Related to Opioid Epidemic.

Chair Leslie Hamada reported on this item.
4. Report of Communications with Polaris Apartments and Possible Resources,

Commissioner Debbie Jacobson gave the report on this item.

5. Any Council Concerns, Suggestions, and Vision Regarding the Human Services Commission.

ADJOURNMENT:
There being no further business, the meeting was adjourned at 7:02 p.m.

Prepared by:      Submitted by:

__________________________________     ____________________________________
Joan Michaud      Sharon Scott
Senior Deputy City Clerk    City Clerk
SUBJECT: APPROVAL OF VOUCHERS

RECOMMENDED BY: Rob Hendrickson, Finance Director

ATTACHMENT(S): Vouchers: Vouchers #36657 - #36721, including ACH payments in the amount of $951,753.52, dated November 22, 2017; and Paylocity Payroll Vouchers #1007777399 - #1007777413 and #1007777420 - 1007777420 inclusive, plus employee direct deposits and wire transfers, in the amount of $193,856.79, dated December 1, 2017.

PREPARED BY: Casey Parker, Senior Accountant

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution  X  Motion _____ Other

Councilmember ______ moves, Councilmember ______ seconds, to approve for payment Vouchers: Vouchers #36657 - #36721, including ACH payments in the amount of $951,753.52, dated November 22, 2017; and Paylocity Payroll Vouchers #1007777399 - #1007777413 and #1007777420 - 1007777420 inclusive, plus employee direct deposits and wire transfers, in the amount of $193,856.79, dated December 1, 2017.
Consent Agenda Item C-3
Covington City Council Meeting
Date: December 12, 2017

SUBJECT: AUTHORIZE THE CITY MANAGER TO EXECUTE AN AGREEMENT FOR SERVICES WITH OLYMPIC ENVIRONMENTAL RESOURCES RELATING TO RECYCLING COLLECTION EVENTS FOR 2018.

RECOMMENDED BY: Don Vondran, Public Works Director

ATTACHMENT(S):
1. Agreement for Services with Olympic Environmental Resources

PREPARED BY: Shellie Bates, Programs Supervisor/Public Works

EXPLANATION:
The City applied for and received three grants to implement recycling collection events in 2018. Staff selected Olympic Environmental Resources (OER) as the most qualified to perform the work. This proposed contract recognizes the expanded scope of work to include the additional King County funds and the addition of adjacent unincorporated King County residents in the 2018 Recycling Collection Events. The agreement is from January 1, 2018 through December 31, 2018. This contract is an integral part of the City of Covington’s recycling element of the overall solid waste management program because the City of Covington does not have adequate staffing or expertise to implement the programs without outside assistance.

ALTERNATIVES:
Choose not to authorize the City Manager to enter into the agreement and thereby decline to implement the recycling collection events with grants from King County and Department of Ecology.

FISCAL IMPACT:
There is no net cost to the City of Covington. By combining funds from three grants, the City is able to provide the recycling programs by contracting with a private company for provision of the services with 100% of the costs, including city staff time, eligible for reimbursement from the various granting agencies.

CITY COUNCIL ACTION: ___Ordinance ___Resolution X Motion ___Other

Councilmember __________ moves, Councilmember __________ seconds, to authorize the City Manager to execute an Agreement for Services with Olympic Environmental Resources relating to recycling collection events for 2018.

REVIEWED BY: City Manager, City Attorney, Finance Director
THIS AGREEMENT FOR SERVICES is entered into this 12th day of December, 2017, by and between the City of Covington ("City"), a Washington municipal corporation, and Olympic Environmental Resources ("Consultant"), a corporation.

REQUITALS:

A. The City seeks the temporary services of a skilled independent contractor capable of working without direct supervision to perform the coordination of the City of Covington recycling events on behalf of the citizens of Covington; and

B. The Consultant has the requisite skill and experience necessary to provide said services; and

C. The City has selected the Consultant to perform said services; and

D. The purpose of this Agreement is to establish the terms and conditions under which the Consultant will perform said services.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the City and the Consultant do hereby agree as follows:

1. Engagement. The City, acting pursuant to its vested authority, does hereby engage the Consultant and the Consultant does hereby agree to perform on behalf of the City the services more particularly described herein.

2. Scope of Services. Upon written authorization from the City to proceed, the Consultant shall perform the services described on Exhibit “A” attached hereto and incorporated herein by this reference ("Services"), in a manner consistent with the accepted practices for similar services, performed to the City’s satisfaction, within the time period prescribed by the City and pursuant to the direction of the City Manager or his or her designee. In performing the Services, the Consultant shall comply with all federal, state and local laws and regulations, including, without limitation, all City codes, ordinances, resolutions, standards and policies, as now existing or hereafter adopted or amended, that may be applicable to its performance. To the extent required by law, the Contractor and all subcontractors shall pay no less than the prevailing wage rate to employees performing work under this contract and shall submit a “Statement of Intent to Pay Prevailing Wages” and an “Affidavit of Wages Paid” in compliance with RCW 39.12.

3. Term of Agreement. This Agreement shall be in full force and effect for a period commencing upon execution and ending upon the completion of the Services, but in any event no later than December 31, 2018 (“Term”), unless earlier terminated under the provisions of this Agreement. This Agreement may be extended for additional periods of time upon the mutual written agreement of the City and the Consultant. Time is of the essence in each and every term of this Agreement.

4.1 Compensation. In consideration of the Consultant performing the Services, the City agrees to pay the Consultant an amount not to exceed $51,844.63.

4.2 Method of Payment. Payment by the City for the Services will only be made after the Services have been satisfactorily performed, a voucher or invoice is submitted in a form acceptable to the City, and the same is approved by the appropriate City representative. Payment shall be made no later than ten days after City Council approval of the invoiced amount.

4.3 First Invoice. Prior to or along with the first invoice submitted, the Consultant shall return to the City a completed “Request for Taxpayer Identification Number and Certification”, also known as IRS form W-9.

4.4 Consultant Responsible for Taxes. The Consultant shall be solely responsible for the payment of any taxes imposed by any lawful jurisdiction as a result of the performance and payment of this Agreement.

5. Warranty. The Consultant warrants that it has the requisite training, skill and experience necessary to provide the Services and is appropriately accredited and licensed by all applicable agencies and governmental entities, including but not limited to being registered to do business in the City of Covington by obtaining a City of Covington business license. The Consultant shall be responsible for the professional quality, technical adequacy and accuracy, timely completion and coordination of all plans, designs, drawings, specifications, reports and other services prepared or performed pursuant to this Agreement. The Consultant shall perform its work in accordance with the requirements of this Agreement and pursuant to the standards of professional care, skill, diligence and competence as are normally exercised by other members and/or firms of the profession in good standing working under the same or similar conditions and circumstances and in similar communities as the services provided by the Consultant under this Agreement. The Consultant shall be responsible for the professional standards, performance and actions of all persons and firms performing work pursuant to this Agreement on behalf of Consultant. The City shall also have the right to deduct from payments to the Consultant any costs or damages incurred by the City, or which may be incurred by the City, as a result of the Consultant’s failure to comply with the requirements of the Agreement or failure to meet the professional standard of care and skill, or both. The City’s approval of plans, drawings, designs, specifications, reports and other products of the professional services rendered hereunder shall not in any way relieve the Consultant of responsibility for the technical adequacy or accuracy thereof. Neither the City’s review, approval, acceptance of, and/or payment for any services shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement.

6. Ownership and Use of Documents. Any and all original and copies of records, reports, designs, files, documents, drawings, specifications, data or information, regardless of form or format, and all other materials prepared or produced by the Consultant in connection with the Services shall be the property of the City whether the project for which they were created is executed or not. At the termination or cancellation of this Agreement, any and all such records or information remaining in the possession of the Consultant shall be delivered to the City. No confidential information obtained or created by Consultant shall be disclosed to any person or party other than the City without the City’s prior written consent.
7. **Independent Contractor.** It is the intention and understanding of the City and the Consultant that the Consultant shall be an independent contractor and that the City shall be neither liable nor obligated to pay the Consultant sick leave, vacation pay or any other benefit of employment. The Consultant shall pay all income and other taxes due. Industrial or any other insurance that is purchased for the benefit of the City, regardless of whether such may provide a secondary or incidental benefit to the Consultant, shall not be deemed to convert this Agreement to an employment contract. The Consultant will be solely responsible for its acts and for the acts of its agents, employees, sub consultants or representatives during the performance of this Agreement. Nothing in this Agreement shall be considered to create the relation of employer and employee or principal and agent between the parties hereto. The Consultant shall have the sole judgment of the means, mode or manner of the actual performance of this Agreement. The Consultant, as an independent contractor, assumes the entire responsibility for carrying out and accomplishing this Agreement.

8. **Indemnification.** To the maximum extent permitted by law, Consultant shall defend, indemnify and hold harmless the City and all of its officials, employees, principals and agents from all claims, demands, suits, actions, and liability of any kind, including injuries to persons or damages to property, which arise out of, are connected with, or are due to any errors, omissions or negligent acts of Consultant, its contractor, and/or employees, agents, volunteers or representatives in performance of this Agreement; provided, however, that if (and only if) the provisions of RCW 4.24.115 apply to the work and services under this Agreement and any such damages and injuries to persons or property are caused by or result from the concurrent negligence of Consultant, its contractor or employees, agents, volunteers or representatives and the City or its employees, agents, or representatives, the indemnification applies only to the extent of the negligence of Consultant, its contractor or employees, volunteers, agents, or representatives. In the event of any such claims, demands, suits, actions, and lawsuits, Consultant shall assume all costs of defense thereof, including administrative and legal fees incurred by the City, and of all resulting judgments that may be obtained against the City or any of its officers, principals, agents, or employees. If resulting there from, any lien is placed upon property of the City or any of its officers, principals, agents, or employees, Consultant shall at once cause the same to be dissolved and discharged by giving bond or otherwise. Consultant specifically assumes potential liability for actions brought by Consultant’s own employees against the City and for that purpose Consultant specifically waives, as respects the City only, any immunity under the Worker’s Compensation Act, RCW Title 51; and Consultant recognizes that this waiver was the subject of mutual negotiation and specifically entered into pursuant to the provision of RCW 4.24.115, if applicable. In the event either party incurs attorney's fees, costs or other legal expenses to enforce the provisions of this section against the other party, all such fees, costs and expenses shall be recoverable by the prevailing party.

The provisions of this Section shall survive any expiration or termination of this Agreement.

9. **Insurance.** The Consultant shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of work hereunder by the Consultant, its agents, representatives or employees. Consultant’s maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Consultant to the coverage provided by such insurance, or otherwise limit the City’s recourse to any remedy available at law or in equity. The Consultant shall at a minimum obtain and carry the following insurance in such forms and with such carriers who have a rating satisfactory to the City:
9.1 Workers' compensation and employer's liability insurance in amounts sufficient pursuant to the laws of the State of Washington;

9.2 Commercial general liability insurance covering liability arising from premises, operations, independent contractors, personal injury and advertising injury and written on ISO occurrence form CG 00 01 with combined single limits of liability not less than $1,000,000 each occurrence, $2,000,000 general aggregate for bodily injury, including personal injury or death, products liability and property damage.

9.3 Automobile liability insurance covering all owned, non-owned, hired and leased vehicles and written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage with combined single limits of liability not less than $1,000,000 per accident for bodily injury, including personal injury or death and property damage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

9.4 Professional liability insurance covering any negligent professional acts, errors or omissions for which the Consultant is legally responsible and with combined single limits of liability not less than $1,000,000 per claim and $1,000,000 policy aggregate limit for damages sustained by reason of or in the course of operation under this Agreement.

The City shall be named as additional insured on all such insurance policies, with the exception of professional liability and workers' compensation coverage(s) if the Consultant participates in a state-run workers’ comp program. The Consultant shall provide original certificates of insurance and a copy of the amendatory endorsement, concurrent with the execution of this Agreement, evidencing such coverage and, at City's request, furnish the City with copies of all insurance policies and with evidence of payment of premiums or fees of such policies. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII. All insurance policies shall contain a clause of endorsement providing that they may not be terminated or materially amended during the Term of this Agreement, except after thirty (30) days prior written notice to the City. If the Consultant's insurance policies are "claims made," the Consultant shall be required to maintain tail coverage for a minimum period of three (3) years from the date this Agreement is actually terminated or upon project completion and acceptance by the City. The Consultant's failure to maintain such insurance policies shall be grounds for the City's immediate termination of this Agreement.

The City shall be named as additional insured on all such insurance policies, with the exception of professional liability and workers' compensation coverage(s) if the Consultant participates in a state-run workers’ comp program. The Consultant shall provide original certificates of insurance and a copy of the amendatory endorsement, concurrent with the execution of this Agreement, evidencing such coverage and, at City's request, furnish the City with copies of all insurance policies and with evidence of payment of premiums or fees of such policies. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII. All insurance policies shall contain a clause of endorsement providing that they may not be terminated or materially amended during the Term of this Agreement, except after thirty (30) days prior written notice to the City. If the Consultant's insurance policies are "claims made," the Consultant shall be required to maintain tail coverage for a minimum period of three (3) years from the date this Agreement is actually terminated or upon project completion and acceptance by the City. The Consultant's failure to maintain such insurance policies shall be grounds for the City's immediate termination of this Agreement.

The provisions of this Section shall survive the expiration or termination of this Agreement with respect to any event occurring prior to such expiration or termination.

10. Books and Records. The Consultant agrees to maintain books, records, and documents which sufficiently and properly reflect all direct and indirect costs related to the performance of the Services and maintain such accounting procedures and practices as may be deemed necessary by the City to assure proper accounting of all funds paid pursuant to this Agreement. These records shall be subject, at all reasonable times, to inspection, review or audit by the City, its authorized representative, the State Auditor, or other governmental officials authorized by law to monitor this Agreement.
11. **Termination.**

11.1 Prior to the expiration of the Term, this Agreement may be terminated immediately, with or without cause, by the City. In the event of termination or suspension, all finished or unfinished documents, data, studies, worksheets, models, reports or other materials prepared by the Consultant pursuant to this Agreement shall be submitted to the City within five days of the date of termination.

11.2 In the event this Agreement is terminated or suspended, the Consultant shall be entitled to payment for all services satisfactorily performed and reimbursable expenses incurred to the date of termination.

11.3 This provision shall not prevent the City from seeking any legal remedies it may otherwise have for the violation, default, or nonperformance of any provision of this Agreement. The remedies provided in this paragraph shall be in addition to any other remedy the City may have at law or in equity.

12. **Discrimination.** In all Consultant services, programs or activities, and all Consultant hiring and employment made possible by or resulting from this Agreement, there shall be no discrimination by the Consultant or by the Consultant's employees, agents, subcontractors or representatives against any person because of sex, age (except minimum age and retirement provisions), race, color, creed, national origin, marital status or the presence of any disability, including sensory, mental or physical handicaps, unless based upon a bona fide occupational qualification in relationship to hiring and employment. This requirement shall apply, but not be limited to the following: employment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Consultant shall not violate any of the terms of Chapter 49.60 RCW, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, Section 504 of the Rehabilitation Act of 1973 or any other applicable federal, state or local law or regulation regarding non-discrimination. Any material violation of this provision shall be grounds for termination of this Agreement by the City and, in the case of the Consultant's breach, may result in ineligibility for further City agreements.

13. **Assignment and Subcontract.** The Consultant shall not assign or transfer any interest in this Agreement or subcontract any portion of the services contemplated hereunder without the prior written consent of the City.

14. **Conflict of Interest.** The Consultant represents to the City that it has no conflict of interest in performing any of the services described herein. It is recognized that the Consultant may or will be performing services during the Term for other parties; provided, however that such performance of other services shall not conflict with or interfere with the Consultant’s ability to perform the Services. In the event that the Consultant is asked to perform services for a project with which it may have a conflict, the Consultant shall immediately disclose such potential conflict to the City. The Consultant agrees to resolve any actual conflicts of interest in favor of the City.

15. **Confidentiality.** All information regarding the City obtained by the Consultant and designated by the City as confidential in the performance of this Agreement shall be considered confidential. Breach of confidentiality by the Consultant shall be grounds for immediate termination of this Agreement.
16. **Non-appropriation of Funds.** If sufficient funds are not appropriated or allocated for payment under this Agreement for any future fiscal period, the City will so notify the Consultant and shall not be obligated to make payments for services or amounts incurred after the end of the City’s current fiscal period. This Agreement shall terminate upon the completion of all remaining services for which funds are allocated. No penalty or expense shall accrue to the City in the event that the terms of this provision are effectuated.

17. **Entire Agreement.** This Agreement, including the exhibits attached hereto, constitutes the entire agreement between the parties with respect to the subject matter of this Agreement. There are no promises, terms, conditions or obligations other than those contained herein, and this Agreement shall supersede all previous communications, negotiations, representations or agreements, either verbal or written, between the parties hereto concerning the subject matter of this Agreement.

18. **Amendment.** This Agreement may not be modified or amended except by writing signed by all parties hereto.

19. **No Waiver.** Failure or delay of the City to declare any breach or default immediately upon occurrence shall not waive such breach or default. Failure of the City to declare one breach or default does not act as a waiver of the City's right to declare another breach or default.

20. **Successors.** Subject to the provisions of paragraph 13 above, this Agreement shall inure to the benefit of and be binding upon the parties, their respective heirs, executors, administrators, personal representatives, successors and assigns.

21. **Severability.** Each and every provision of this Agreement shall be deemed to be severable. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provision were not a part of this Agreement.

22. **Notices.** All notices, payments and other communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or mailed, by first class or certified mail, with postage prepaid,

22.1 if to the Consultant, to:

Paul Devine  
Olympic Environmental Resources  
4715 SW Walker Street  
Seattle, WA 98116

or to such other person or place as the Consultant shall furnish to the City in writing; and

22.2 if to the City, to:

Shellie Bates  
City of Covington  
16720 SE 271st Street, Suite100  
Covington, WA 98042

or to such other person or place as the City shall furnish to the Consultant in writing.
Notices and payments shall be deemed given upon personal delivery or, if mailed, upon the earlier of actual receipt or three (3) business days after the date of mailing.

23. **Governing Law.** This Agreement shall be interpreted in accordance with the laws of the State of Washington.

24. **Venue.** The venue for any cause of action arising out of this Agreement shall be King County, Washington.

25. **Attorney’s Fees.** In the event of any default under this Agreement, the substantially defaulting party agrees to pay the substantially non-defaulting party’s reasonable expenses which the latter incurs by reason thereof, including but not limited to reasonable attorney’s fees, whether with respect to the investigation of such default or the determination of the application or the pursuit of remedies with respect thereto, or in legal proceedings, or otherwise. The term “legal proceedings” as used in this paragraph shall include all litigation, arbitration, administrative, bankruptcy and judicial proceedings, including appeals therefrom.

26. **Headings.** The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Agreement.

27. **Survival of Representations.** The representations and warranties of the City and the Consultant contained hereto shall survive indefinitely.

28. **Independent Counsel.** The Consultant acknowledges that the drafter of this Agreement is the City’s legal representative to whom the Consultant does not look to for any legal counseling or legal advice with regard to this transaction. The Consultant further acknowledges that it has been advised to consult with independent legal counsel and has had an opportunity to do so. By signing this Agreement, the Consultant acknowledges that it has consulted with independent legal counsel of its choice or has knowingly waived the right to do so. There shall be no presumption of draftsmanship in favor of or implied against any party hereto.

29. **Authority.** Each individual executing this Agreement on behalf of the City and the Consultant represents and warrants that such individuals are duly authorized to execute and deliver this Agreement on behalf of the Consultant or the City.
IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year written above.

CITY OF COVINGTON

______________________________
Regan Bolli, City Manager

Attest:                        Approved as to form:

______________________________  ______________________________
Sharon Scott, City Clerk       Kathy Hardy, City Attorney

OLYMPIC ENVIRONMENTAL RESOURCES

______________________________
Paul Devine, General Manager
Scope of Services

This Scope of Work is intended to detail Olympic Environmental Resource’s (OER) services and responsibilities in implementing City of Covington Recycling Projects. In 2018, OER will implement two residential Recycling Collection Events for the City.

Residential Recycling Events

The events are tentatively scheduled for spring (April, May) and fall (September, October) of 2018. At one or all events the following materials will be collected and recycled: used tires, bulky yard waste (large material only), scrap wood, appliances (including refrigerators, freezers, household air conditioners, and other appliances), computer/electronic equipment, ferrous metals, nonferrous metals, textiles, paper shredding, reusable or recyclable household goods, porcelain toilets and sinks, propane tanks, and other materials whenever practical. OER subcontracts out services to vendors who specialize in the recycling of specific materials. User fees will apply to the collection of some materials. In 2018, the Covington Recycling Collection Events will include area residents living in unincorporated King County.

OER wishes to involve the Covington staff at the level most comfortable for the City. OER will meet with the City of Covington staff at any time during the project for updates on activities or will pursue activities independently if desired by the City.

The project budget will incorporate the City of Covington grant funds available from the Seattle-King County Health Department, King County Solid Waste Division, and the Washington State Department of Ecology. Project grant funds total $51,844.63 in 2018 and include all items that will be paid for directly by the City, including City staff time.

The specific project activities to be carried out by OER are detailed in the grant scopes of work. OER will cover project expenses as they arise, such as the costs of printing and vendor services. OER will assist the City in requesting reimbursement for these costs from the King County Solid Waste Division, Seattle-King County Health Department, and the Washington State Department of Ecology.

OER’s goal is to conduct events with very limited City staff time and no net City cost. However, there are a number of “official acts” necessary for the City to bring the program on line:

- Sign and submit letters of intent.
- Review and submit program scopes of work.
- Sign necessary grant agreements.
- Keep OER informed of any changes made to grant agreements.
- Reimburse OER for staff time and expenses from grant funding.
2018 Covington Recycling Grants

The City of Covington is eligible and has applied for the following grants. It is expected that no non-grant City funds will be expended on recycling projects in 2018. The City has applied for the following:

1) King County Local Hazardous Waste Management Plan Grant.  
2018 grant total - $8,625.63

2) King County Waste Reduction and Recycling Grant Program.  
2018 grant total - $24,719.00

2018 grant estimate - $7,500.00.

4) Contingency in case additional grant funds come available - $11,000.00

TOTAL: $51,844.63
SUBJECT: CONSIDER A PROPOSED ORDINANCE ADOPTING A 2017 BUDGET AMENDMENT

ATTACHMENT(S):
1. Proposed ordinance with exhibits

RECOMMENDED BY: Rob Hendrickson, Finance Director

EXPLANATION:
It is the policy of the city and a requirement of the state auditor and state law to correctly report the budget at year end and account for all changes. A budget amendment is required under RCW 35.33.121 if we’ve received unanticipated revenues, such as grant proceeds, that we intend to spend.

After the November expenditure reports are completed and the financial reports are finalized, staff reviews the year end changes that have occurred in revenues, expenditures, fund balances, and operating transfers. If there are substantive changes that impact the original budget estimates, they are brought forward in the form of amendments to the original budget. This is an annual occurrence due to the changing nature of the budget.

All funds are being amended to reflect the actual audited beginning fund balances. The General Fund, Street Fund, Surface Water Management Fund, and Capital Investment Program Fund are being amended to reflect unanticipated grant proceeds and related expenditures. In addition, the General Fund, Street Fund, Capital Investment Program Fund, Cumulative Reserve Fund, Real Estate Excise Tax Fund 1st Qtr, and Real Estate Excise Tax 2nd Qtr Fund are being amended to account for transfers between funds and related expenditures. Lastly, the General Fund and Capital Investment Program Fund are being amended to account for the interfund loan that took place to allow for the construction of Covington Community Park Phase II.

The employee positions/salary range schedule is also being amended to reflect staffing reclassifications that have occurred during the year. The following positions/ranges have been added to the schedule: Aquatic Manager, Finance Assistant II, Finance Assistant I, Maintenance Aide, Office Assistant III, Office Assistant II, and Office Assistant I. No FTEs were added.

Staff recommends that this ordinance be adopted as presented, as it is a fair and accurate assessment of the anticipated year end revenues, expenditures, operating transfers, and fund balances based on current relevant information.

Failure to adopt the budget amendment as presented or to make changes could result in unfavorable audit recommendations and/or findings.
ALTERNATIVES:
1. The Council could elect to postpone or deny adopting this ordinance.
2. The Council could make other amendments to the budget.

FISCAL IMPACT: As noted above

CITY COUNCIL ACTION:  X Ordinance  _____ Resolution  _____ Motion  _____ Other

Council member ________ moves, Council member ________ seconds, to pass an Ordinance, in substantial form as that attached hereto, amending the 2017 Budget by amending Ordinance 21-2016 and Ordinance 01-2017.
ORDINANCE NO. 22-2017


WHEREAS, the city passed Ordinance No. 21-2016 on November 22, 2016, which approved the city’s budget for 2017; and

WHEREAS, the city passed Ordinance No. 01-2017 on February 28, 2017, which amended the city’s Employee Positions/Salary Range Schedule; and

WHEREAS, the city wishes to adjust beginning estimated fund balances to audited fund balances; and

WHEREAS, the city wishes to appropriate unanticipated grant proceeds and other revenues; and

WHEREAS, the city wishes to adjust transfers and interfund loans between funds;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The amended budget for the City of Covington, Washington, for the year 2017 is hereby adopted at the fund level in its final form and content, a true and correct copy of which is attached hereto as Exhibit A and fully incorporated herein by this reference.

Section 2. Section 2 of Ordinance No. 21-2016 is amended to read as follows:

Estimated resources, including fund balances or working capital for each separate fund of the City of Covington and aggregate totals for all such funds combined, for the year 2017 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 2017 as set forth below:

<table>
<thead>
<tr>
<th>FUND</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$18,696,441</td>
</tr>
<tr>
<td>Development Services Fund</td>
<td>4,907,311</td>
</tr>
<tr>
<td>Street Fund</td>
<td>1,594,010</td>
</tr>
<tr>
<td>Surface Water Management Fund</td>
<td>10,845,953</td>
</tr>
<tr>
<td>Capital Investment Program</td>
<td>20,284,143</td>
</tr>
<tr>
<td>Local Improvement District</td>
<td>33,010</td>
</tr>
<tr>
<td>LID Guaranty Fund</td>
<td>33,010</td>
</tr>
</tbody>
</table>
Unemployment Reserve Fund 381,097
Equipment Replacement Fund 1,292,901
Cumulative Reserve Fund 1,439,139
Contingency Fund 412,923
Real Estate Excise Tax Fund 1st Qtr 600,550
Real Estate Excise Tax Fund 2nd Qtr 600,550
Long-Term Debt Service Fund 1,181,742
**Total All Funds**  $62,302,780

Section 3. Section 1 of Ordinance 01-2017 is amended to include the Amended 2017 Salary Schedule for authorized positions, attached hereto as Exhibit B and fully incorporated herein by this reference.

Section 4. If any provision of this ordinance, or ordinance modified by it is determined to be invalid or unenforceable for any reason, the remaining provisions of this ordinance, and ordinances and/or resolutions modified by it, shall remain in force and effect.

Section 5. This ordinance shall be in force and take effect five (5) days after its publication according to law.

PASSED by the Council on this 12th day of December, 2017, and signed in authentication thereof.

_______________________
Mayor Jeff Wagner

PUBLISHED:  12-15-2017
EFFECTIVE:   12-20-2017

ATTESTED:

_______________________
Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

_______________________
Kathy Hardy, City Attorney
## CITY OF COVINGTON
### Proposed Budget Amendments

#### GENERAL FUND

<table>
<thead>
<tr>
<th></th>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>$5,757,195</td>
<td>$1,190,830</td>
<td>$6,948,025</td>
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<tr>
<td>Operating Revenues</td>
<td>11,658,291</td>
<td>57,115</td>
<td>11,715,406</td>
<td>100.5%</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>33,010</td>
<td>-</td>
<td>33,010</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$17,448,496</td>
<td>$1,247,945</td>
<td>$18,696,441</td>
<td>107.2%</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>10,715,453</td>
<td>57,115</td>
<td>10,772,568</td>
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<tr>
<td>Operating Transfers Out</td>
<td>1,359,000</td>
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<td>3,844,631</td>
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<tr>
<td>Ending Fund Balance</td>
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<td>(1,294,801)</td>
<td>4,079,242</td>
<td>75.9%</td>
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<tr>
<td><strong>TOTAL USES</strong></td>
<td>$17,448,496</td>
<td>$1,247,945</td>
<td>$18,696,441</td>
<td>107.2%</td>
</tr>
</tbody>
</table>

#### DEVELOPMENT SERVICES FUND

<table>
<thead>
<tr>
<th></th>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>$3,178,725</td>
<td>$447,131</td>
<td>$3,625,856</td>
<td>114.1%</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>1,281,455</td>
<td>-</td>
<td>1,281,455</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$4,460,180</td>
<td>$447,131</td>
<td>$4,907,311</td>
<td>110.0%</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,483,071</td>
<td>-</td>
<td>1,483,071</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<tr>
<td>Ending Fund Balance</td>
<td>$2,977,109</td>
<td>$447,131</td>
<td>$3,424,240</td>
<td>115.0%</td>
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<tr>
<td><strong>TOTAL USES</strong></td>
<td>$4,460,180</td>
<td>$447,131</td>
<td>$4,907,311</td>
<td>110.0%</td>
</tr>
</tbody>
</table>

#### STREET FUND

<table>
<thead>
<tr>
<th></th>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
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<tbody>
<tr>
<td><strong>REVENUES</strong></td>
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<td></td>
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<tr>
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<td>Operating Transfers In</td>
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<td>-</td>
<td>76,596</td>
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<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$1,489,834</td>
<td>$104,176</td>
<td>$1,594,010</td>
<td>107.0%</td>
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<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,291,877</td>
<td>$42,220</td>
<td>1,334,097</td>
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<td>Operating Transfers Out</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>0.0%</td>
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<td>Ending Fund Balance</td>
<td>$195,957</td>
<td>$104,176</td>
<td>249,913</td>
<td>127.5%</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$1,489,834</td>
<td>$104,176</td>
<td>$1,594,010</td>
<td>107.0%</td>
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</tbody>
</table>

#### STREET FUND

<table>
<thead>
<tr>
<th></th>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>$8,174,565</td>
<td>$384,188</td>
<td>$8,558,753</td>
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<tr>
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<td>2,135,860</td>
<td>-</td>
<td>2,287,200</td>
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</tr>
<tr>
<td>Operating Transfers In</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$10,310,425</td>
<td>$384,188</td>
<td>$10,845,953</td>
<td>105.2%</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
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<tr>
<td>Operating Expenses</td>
<td>2,812,372</td>
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<td>Ending Fund Balance</td>
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<td>$7,882,241</td>
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<tr>
<td><strong>TOTAL USES</strong></td>
<td>$10,310,425</td>
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<td>$10,845,953</td>
<td>105.2%</td>
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</table>

#### LID FUND

<table>
<thead>
<tr>
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<th>2017 Adopted Budget</th>
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<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>-$</td>
<td>-</td>
<td>-$</td>
<td>0.0%</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>-$</td>
<td>-</td>
<td>-$</td>
<td>0.0%</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>33,010</td>
<td>-</td>
<td>33,010</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$33,010</td>
<td>$-</td>
<td>$33,010</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>-$</td>
<td>-</td>
<td>-$</td>
<td>0.0%</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>33,010</td>
<td>-</td>
<td>33,010</td>
<td>100.0%</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>-$</td>
<td>-</td>
<td>-$</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$33,010</td>
<td>$-</td>
<td>$33,010</td>
<td>100.0%</td>
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</table>

#### LID GUARANTY FUND

<table>
<thead>
<tr>
<th></th>
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<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
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<tr>
<td><strong>REVENUES</strong></td>
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<tr>
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<tr>
<td>Operating Transfers In</td>
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<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$376,286</td>
<td>$4,811</td>
<td>$381,097</td>
<td>101.3%</td>
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<td><strong>EXPENDITURES</strong></td>
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<tr>
<td>Operating Expenses</td>
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<tr>
<td>Operating Transfers Out</td>
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<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>361,286</td>
<td>$4,811</td>
<td>366,097</td>
<td>101.3%</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$376,286</td>
<td>$4,811</td>
<td>$381,097</td>
<td>101.3%</td>
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</table>

#### UNEMPLOYMENT FUND

<table>
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<tr>
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<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Beginning Fund Balance</td>
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<td>$447,131</td>
<td>$3,894,262</td>
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<tr>
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<td>-</td>
<td>1,483,071</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$4,930,202</td>
<td>$447,131</td>
<td>$5,377,333</td>
<td>111.3%</td>
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## CITY OF COVINGTON
### Proposed Budget Amendments
#### 2017

<table>
<thead>
<tr>
<th>Equipment Replacement Fund</th>
<th>Cumulative Reserve Fund</th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>Beginning Fund Balance</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>Operating Revenues</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>Operating Transfers In</td>
</tr>
<tr>
<td>Total Resources</td>
<td>Total Resources</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td><strong>Expenditures</strong></td>
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<tr>
<td>Operating Expenses</td>
<td>Operating Expenses</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>Operating Transfers Out</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>Ending Fund Balance</td>
</tr>
<tr>
<td>Total Uses</td>
<td>Total Uses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contingency Fund</th>
<th>Real Estate Excise Tax Fund 1st Qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>Beginning Fund Balance</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>Operating Revenues</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>Operating Transfers In</td>
</tr>
<tr>
<td>Total Resources</td>
<td>Total Resources</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td><strong>Expenditures</strong></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>Operating Expenses</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>Operating Transfers Out</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>Ending Fund Balance</td>
</tr>
<tr>
<td>Total Uses</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Estate Excise Tax Fund 2nd Qtr</th>
<th>Long-Term Debt Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>Beginning Fund Balance</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>Operating Revenues</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>Operating Transfers In</td>
</tr>
<tr>
<td>Total Resources</td>
<td>Total Resources</td>
</tr>
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<td></td>
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</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td><strong>Expenditures</strong></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>Operating Expenses</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>Operating Transfers Out</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>Ending Fund Balance</td>
</tr>
<tr>
<td>Total Uses</td>
<td>Total Uses</td>
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</table>

<table>
<thead>
<tr>
<th>Summary</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
</tr>
<tr>
<td>Operating Revenues</td>
</tr>
<tr>
<td>Operating Transfers In</td>
</tr>
<tr>
<td>Total Resources</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
</tr>
<tr>
<td>Operating Expenses</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
</tr>
<tr>
<td>Total Uses</td>
</tr>
</tbody>
</table>

### CITY OF COVINGTON
### Proposed Budget Amendments
#### 2017

<table>
<thead>
<tr>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amendment</th>
<th>2017 Amended Budget</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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### CITY OF COVINGTON
### Proposed Budget Amendments
#### 2017

<table>
<thead>
<tr>
<th>Development Services Fund</th>
<th>Revenues</th>
<th>Expenditures</th>
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<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$1,075,306</td>
<td>-</td>
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<tr>
<td><strong>Operating Revenues</strong></td>
<td>$207,864</td>
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<td><strong>Operating Transfers In</strong></td>
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<td>-</td>
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<tr>
<td><strong>Total Resources</strong></td>
<td>$1,283,170</td>
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<tr>
<td><strong>Operating Expenses</strong></td>
<td>-$170,108</td>
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<tr>
<td><strong>Operating Transfers Out</strong></td>
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<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$1,113,062</td>
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<tr>
<td><strong>Total Uses</strong></td>
<td>$1,292,901</td>
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</table>

### CITY OF COVINGTON
### Proposed Budget Amendments
#### 2017

<table>
<thead>
<tr>
<th>Commercial Maintenance Fund</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$421,746</td>
<td>-</td>
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<tr>
<td><strong>Operating Revenues</strong></td>
<td>$250,550</td>
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<tr>
<td><strong>Operating Transfers In</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>$600,550</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>-$1,181,742</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Transfers Out</strong></td>
<td>250,550</td>
<td>-</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>$600,550</td>
<td>-</td>
</tr>
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</table>

### CITY OF COVINGTON
### Proposed Budget Amendments
#### 2017

<table>
<thead>
<tr>
<th>Long-Term Debt Service Fund</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$24,370,838</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>29,277,508</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Transfers In</strong></td>
<td>1,928,120</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>$55,576,466</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>-$31,001,580</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Transfers Out</strong></td>
<td>31,001,580</td>
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<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>$55,576,466</td>
<td>-</td>
</tr>
</tbody>
</table>
## City of Covington
### Employee Positions/Salary Range Schedule
#### For the Fiscal Year 2017 - AMENDED

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary Range Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Manager</td>
<td>$ 152,000 - $ 181,496</td>
</tr>
<tr>
<td>City Attorney</td>
<td>$ 120,401 - $ 143,764</td>
</tr>
<tr>
<td>Community Development Director</td>
<td>$ 120,401 - $ 143,764</td>
</tr>
<tr>
<td>Finance Director</td>
<td>$ 120,401 - $ 143,764</td>
</tr>
<tr>
<td>Parks &amp; Recreation Director</td>
<td>$ 120,401 - $ 143,764</td>
</tr>
<tr>
<td>Public Works Director</td>
<td>$ 120,401 - $ 143,764</td>
</tr>
<tr>
<td>Chief Building Official</td>
<td>$ 104,034 - $ 124,222</td>
</tr>
<tr>
<td>City Engineer</td>
<td>$ 98,145 - $ 117,191</td>
</tr>
<tr>
<td>Development Review Engineer</td>
<td>$ 87,350 - $ 104,301</td>
</tr>
<tr>
<td>Deputy Building Official</td>
<td>$ 87,350 - $ 104,301</td>
</tr>
<tr>
<td>Senior Information Systems Administrator</td>
<td>$ 84,877 - $ 101,347</td>
</tr>
<tr>
<td>City Clerk/Executive Assistant</td>
<td>$ 82,405 - $ 98,395</td>
</tr>
<tr>
<td>Operations &amp; Maintenance Manager</td>
<td>$ 82,405 - $ 98,395</td>
</tr>
<tr>
<td>Personnel Manager</td>
<td>$ 80,074 - $ 95,613</td>
</tr>
<tr>
<td>Principal Planner</td>
<td>$ 80,074 - $ 95,613</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>$ 77,742 - $ 92,828</td>
</tr>
<tr>
<td>Maintenance Supervisor</td>
<td>$ 77,742 - $ 92,828</td>
</tr>
<tr>
<td>Communications &amp; Marketing Manager</td>
<td>$ 77,742 - $ 92,828</td>
</tr>
<tr>
<td>Plans Examiner/Building Inspector</td>
<td>$ 77,742 - $ 92,828</td>
</tr>
<tr>
<td>Recreation Manager</td>
<td>$ 77,742 - $ 92,828</td>
</tr>
<tr>
<td>Senior Planner</td>
<td>$ 75,541 - $ 90,199</td>
</tr>
<tr>
<td>Aquatic Manager</td>
<td>$ 73,340 - $ 87,571</td>
</tr>
<tr>
<td>Senior Permit Center Coordinator</td>
<td>$ 73,340 - $ 87,571</td>
</tr>
<tr>
<td>Surface Water Management Program Coordinator</td>
<td>$ 71,222 - $ 85,044</td>
</tr>
<tr>
<td>Position</td>
<td>Salary Range Annual</td>
</tr>
<tr>
<td>--------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Construction Inspector</td>
<td>$69,189 - $82,615</td>
</tr>
<tr>
<td>Parks Project Manager</td>
<td>$69,189 - $82,615</td>
</tr>
<tr>
<td>Senior Lead Maintenance Worker</td>
<td>$69,189 - $82,615</td>
</tr>
<tr>
<td>Associate Planner/Code Enforcement Officer</td>
<td>$67,230 - $80,276</td>
</tr>
<tr>
<td>Personnel &amp; Senior Human Services Planner</td>
<td>$67,230 - $80,276</td>
</tr>
<tr>
<td>Programs Supervisor/Public Works</td>
<td>$67,230 - $80,276</td>
</tr>
<tr>
<td>Accountant I</td>
<td>$65,272 - $77,938</td>
</tr>
<tr>
<td>Engineering Technician</td>
<td>$65,272 - $77,938</td>
</tr>
<tr>
<td>Personnel &amp; Human Services Planner</td>
<td>$63,425 - $75,734</td>
</tr>
<tr>
<td>Senior Deputy City Clerk</td>
<td>$63,425 - $75,734</td>
</tr>
<tr>
<td>Lead Maintenance Worker</td>
<td>$61,579 - $73,529</td>
</tr>
<tr>
<td>Senior Accounting Clerk</td>
<td>$58,094 - $69,366</td>
</tr>
<tr>
<td>Aquatics Specialist</td>
<td>$54,804 - $65,438</td>
</tr>
<tr>
<td>Athletics Specialist</td>
<td>$54,804 - $65,438</td>
</tr>
<tr>
<td>Customer Service Specialist</td>
<td>$54,804 - $65,438</td>
</tr>
<tr>
<td>Desktop Support Technician</td>
<td>$54,804 - $65,438</td>
</tr>
<tr>
<td>Recreation Specialist</td>
<td>$54,804 - $65,438</td>
</tr>
<tr>
<td>Maintenance Worker II</td>
<td>$53,254 - $63,589</td>
</tr>
<tr>
<td>Executive Department Assistant/Receptionist</td>
<td>$50,239 - $59,987</td>
</tr>
<tr>
<td>Permit/Planning Technician</td>
<td>$48,774 - $58,239</td>
</tr>
<tr>
<td>Office Technician II/Executive Office</td>
<td>$47,394 - $56,590</td>
</tr>
<tr>
<td>Maintenance Worker I</td>
<td>$47,394 - $56,590</td>
</tr>
<tr>
<td>Finance Assistant II</td>
<td>$42,181 - $50,365</td>
</tr>
<tr>
<td>Management Assistant</td>
<td>$42,181 - $50,365</td>
</tr>
</tbody>
</table>
## City of Covington
### Employee Positions/Salary Range Schedule
#### For the Fiscal Year 2017 - AMENDED

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary Range Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Aide</td>
<td>$ 40,953 - $ 48,898</td>
</tr>
<tr>
<td>Recreation Instructor</td>
<td>$ 40,298 - $ 48,119</td>
</tr>
<tr>
<td>Water Safety Instructor II</td>
<td>$ 36,686 - $ 43,807</td>
</tr>
<tr>
<td>Specialty Instructor</td>
<td>$ 34,610 - $ 41,327</td>
</tr>
<tr>
<td>Water Safety Instructor</td>
<td>$ 34,610 - $ 41,327</td>
</tr>
<tr>
<td>Office Assistant III</td>
<td>$ 31,512 - $ 37,627</td>
</tr>
<tr>
<td>Engineering/GIS Intern</td>
<td>$ 30,629 - $ 36,572</td>
</tr>
<tr>
<td>Finance Assistant I</td>
<td>$ 30,629 - $ 36,572</td>
</tr>
<tr>
<td>Aquatics Lead</td>
<td>$ 29,167 - $ 34,826</td>
</tr>
<tr>
<td>Lifeguard II</td>
<td>$ 29,167 - $ 34,826</td>
</tr>
<tr>
<td>Maintenance Worker (Seasonal)</td>
<td>$ 28,870 - $ 34,472</td>
</tr>
<tr>
<td>Office Assistant II</td>
<td>$ 28,038 - $ 33,488</td>
</tr>
<tr>
<td>Lifeguard</td>
<td>$ 27,517 - $ 32,856</td>
</tr>
<tr>
<td>Recreation Lead</td>
<td>$ 27,517 - $ 32,856</td>
</tr>
<tr>
<td>Referee</td>
<td>$ 22,880 - $ 27,320</td>
</tr>
<tr>
<td>Facility Attendant</td>
<td>$24/hr flat rate</td>
</tr>
<tr>
<td>Facility Monitor</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Recreation Aide</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Office Assistant I</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Intern - Parks &amp; Recreation</td>
<td>$1,000/stipend</td>
</tr>
</tbody>
</table>
SUBJECT: CONSIDER ORDINANCE TO REVISE THE CITY’S CORPORATE BOUNDARY TO INCLUDE THE FULL WIDTH OF SE 240TH STREET AND BE CONSISTENT WITH THE URBAN GROWTH AREA BOUNDARY.

RECOMMENDED BY: Don Vondran, Public Works Director

ATTACHMENT(S):
1. Proposed Ordinance to revise the city’s corporate boundary.

PREPARED BY: Ann Mueller, Senior Planner

EXPLANATION:
On February 13, 2017, the Metropolitan King County council passed Ordinance 2017-004 adopting and ratifying the King County Growth Management Planning Council’s Motion 16-1 which recommended revising the Urban Growth Area (UGA) with a technical amendment to include the full width of SE 240th Street within the UGA where it borders the Covington Community Park. In addition, there are existing portions of SE 240th Street that are within the city’s UGA but are not currently within the city’s corporate boundary that the city and county have agreed should be included in the city limits (see Exhibit A of Attachment 1).

The city and county are now moving forward to revise the city’s corporate boundary to include the full width of SE 240th Street right-of-way (ROW) where it currently abuts the city’s boundary, as allowed per RCW 35A.21.210. The statute is as follows:

RCW 35A.21.210

Revision of corporate boundary within street, road, or highway right-of-way by substituting right-of-way line—Not subject to review.

(1) The governing bodies of a county and any code city located therein may by agreement revise any part of the corporate boundary of the city which coincides with the centerline, edge, or any portion of a public street, road or highway right-of-way by substituting therefor a right-of-way line of the same public street, road or highway so as fully to include or fully to exclude that segment of the public street, road or highway from the corporate limits of the city.

(2) The revision of a corporate boundary as authorized by this section shall become effective when approved by ordinance of the city council and by ordinance or resolution of the county legislative authority. Such a boundary revision is not subject to potential review by a boundary review board.

The benefit of this adjustment is for the city to have the whole width of the ROW within the city’s jurisdiction for consistency in the administration of construction projects, coordination of utilities, permitting and maintenance associated with SE 240th Street.
Both the City of Covington and King County must agree and approve ordinances authorizing the revision of a corporate boundary before it can go into effect.

ALTERNATIVES:
1. Recommend amendments to the proposed ordinance.
2. Return the issue to city staff for further study and analysis.

FISCAL IMPACT:
The additional maintenance costs will be very minor with the additional ROW. However, there will be significant cost savings going forward in the development of CCP with the coordination of utilities and permitting falling under city franchises and requirements versus county requirements.

CITY COUNCIL ACTION:  

Council member ____________ moves, Council member _________________ seconds, to adopt an Ordinance, in substantial form as attached, to revise the City’s Corporate Boundary to include the full width of SE 240th Street and be consistent with the urban growth area boundary.

REVIEWED BY:  City Manager; Public Works Director, Community Development Director, Finance Director, City Attorney.
ORDINANCE NO. 23-2017


WHEREAS, the segment of SE 240th Street right-of-way (ROW) west of 180th Ave SE to the western edge of Covington Community Park (King County Assessor Parcel number 242205-9182) is within King County’s jurisdiction as shown on Exhibit A; and

WHEREAS, the Covington Community Park borders SE 240th Street along its northern property line and the park is located within the city limits of the City of Covington in the Low Density Residential (R-4) zone; and

WHEREAS, on February 13, 2017, the Metropolitan King County Council passed Ordinance 2017-004 adopting and ratifying Growth Management Planning Council Motion 16-1 which recommended adjusting the Urban Growth Area (UGA) boundary with a technical amendment to include the full width of SE 240th Street within the UGA where it borders Covington Community Park as shown on Exhibit A; and

WHEREAS, there are existing portions of SE 240th Street east of 180th Ave SE located within the city’s UGA that are not currently within the city’s corporate limits; and

WHEREAS, it is in the city’s and the county’s best interest to have the entirety of this segment of SE 240th Street right-of-way, wholly within the city’s jurisdiction where it coincides with the city’s boundaries for consistency in the administration of construction projects, coordination of utilities, permitting and maintenance; and

WHEREAS, RCW 35A.21.210(1) authorizes “The governing bodies of a county and any code city located therein may by agreement revise any part of the corporate boundary of the city which coincides with the centerline, edge, or any portion of a public street, road or highway right-of-way by substituting therefor a right-of-way line of the same public street, road or highway so as fully to include or fully to exclude that segment of the public street, road or highway from the corporate limits of the city.”; and

WHEREAS, revision of the corporate boundary of a city is effective upon approval by both the city council and the county legislative authority as provided for in RCW 35A.21.210(2); and

WHEREAS, RCW 35A.21.210(2) states such boundary revision is not subject to potential review by a boundary review board;
NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINGTON, KING COUNTY, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. The city council finds the corporate boundary revision that includes the full width of SE 240th Street right-of-way where it abuts the current city limits and is already located within the city’s UGA to be wholly within the city’s jurisdiction, as shown on Exhibit A, would be a useful part of the city’s street and infrastructure system and simplify jurisdictional issues associated with SE 240th Street.

Section 2. The city council approves the corporate boundary revision to include the right of way for SE 240th Street as shown in Exhibit A.

Section 3. Savings. The enactment of this ordinance shall not affect any application, case, proceeding, appeal, or other matter currently pending administratively or judicially in any court or in any way modify any right or liability, civil or criminal, that may be in existence on the effective date of this ordinance.

Section 4. Severability. Should any section, paragraph, sentence, clause, or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Section 5. Corrections. Upon approval of the city attorney, the city clerk and/or code codifier is authorized to make necessary corrections to this ordinance, including, but not limited to, the correction of clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or section/subsection numbering.

Section 6. Effective Date. This ordinance shall be in full force and effect five (5) days after publication in the city’s newspaper of record. A summary of this ordinance may be published in lieu of publishing the ordinance in its entirety.

PASSED by the city council of the City of Covington on the 12th day of December 2017.

_______________________
Mayor Jeff Wagner

PUBLISHED: December 15, 2017
EFFECTIVE: December 20, 2017

ATTESTED:

_______________________
Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

_______________________
Kathy Hardy, City Attorney
Exhibit ‘A’

SE 240TH ST. ANNEXATION DESCRIPTION
(KING COUNTY JURISDICTIONAL AREA BEING TRANSFERRED TO THE CITY OF COVINGTON)

Those portions of SE 240th Street lying within the Southeast Quarter of Section 13 and the Northeast Quarter of Section 24, Township 22 North, Range 5 East, W.M., in King County, Washington, and lying easterly of the northerly projection of the westerly boundary of Parcel B of King County Exempt Segregation No. L02M0057, as recorded under Recording Number 20030129900001;

Together with those portions of SE 240th Street lying within the North 20 feet of the South 50 feet of Government Lot 4 (Southwest Quarter) of Section 18, Township 22 North, Range 6 East, W.M. as deeded to King County for right-of-way purposes by quit claim deed recorded under Recording Number 20091016000708;

Except that portion of said Government Lot 4 lying within the North 20 feet of the South 50 feet of the East 345.0 feet of the West 990.9 feet as measured at right angles to the south line of said Government Lot 4 as shown on said quit claim deed recorded under Recording Number 20091016000708.

The intent of this description is to annex that entire portion of SE 240th Street lying between King County and the City of Covington as described herein from the northerly projection of the westerly boundary of Parcel B of King County Exempt Segregation No. L02M0057 to the easterly line of Government Lot 4 of Section 18, Township 22 North, Range 6 East, W.M.
NOTES
1.) SEE WRITTEN DESCRIPTION FOR LEGAL AREA DEFINITION.
SUBJECT: CONSIDER RESOLUTION TO REPEAL RESOLUTION NO. 11-12 AND ADOPT NEW FINANCIAL MANAGEMENT POLICIES

ATTACHMENT(S):
1) Proposed resolution adopting new financial management policies, including clean copy of proposed new Financial Management Policies – Exhibit A.
2) Summary of changes to financial management policies
3) Financial Management Policies – Proposed changes shown in strike through and underline
4) Resolution No. 11-12

RECOMMENDED BY: Rob Hendrickson, Finance Director

EXPLANATION:
The finance department has historically reviewed and updated its policies on an as needed basis. The Financial Management Policies were last updated in 2011 with the adoption of Resolution No. 11-12 (Attachment #5). The changes included herein reflect formatting changes, adding or changing policies to mirror current practice, updating policies to enact council directives, and adding/or updating policies that are outdated.

A summary of the proposed changes to the City’s financial management policies for your review is included as Attachment #2 hereto. The actual proposed changes to the City’s financial management policies are shown in strike-through and underline in Attachment #3 hereto. A clean copy of the proposed new policies in full is included as Attachment #4 hereto.

Staff recommends for the Council to adopt the proposed resolution to formally adopt the new financial management policies in full, as presented.

ALTERNATIVES:
1) Ask the finance department to further review these policies for more changes.
2) Leave the finance policies “as is” for now.

FISCAL IMPACT:
There is no fiscal impact to updating these policies.

CITY COUNCIL ACTION: _____ Ordinance  X  Resolution  _____ Motion  _____ Other

Councilmember __________ moves and Councilmember __________ seconds to adopt a resolution, in substantial form as that attached hereto, to repeal Resolution No. 11-12 and adopt new financial management policies.

REVIEWED BY: City Manager; City Attorney; Finance Director.
RESOLUTION NO. 2017-17

A RESOLUTION OF THE CITY OF COVINGTON, WASHINGTON, REPEALING RESOLUTION 11-12, AND ADOPTING NEW FINANCIAL MANAGEMENT POLICIES.

WHEREAS, the Covington City Council has determined the establishment of financial management policies for the city is a prudent and beneficial undertaking; and

WHEREAS, the City Council believes that these policies should be comprehensive, reflect actual financial practices, and be regularly updated; and

WHEREAS, the City Council adopted Resolution No. 11-12 on December 13, 2011, which repealed and replaced the City’s previous financial management policies; and

WHEREAS, the policies of Resolution 11-12 have been included in the new expanded Financial Management Policies, therefore Resolution 11-12 should be repealed; now, therefore,

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, AS FOLLOWS:

Section 1. Repealer. The Covington City Council does hereby repeal Resolution 11-12, relating to financial management policies, in its entirety.


Section 3. Effective Date. This resolution shall take effect immediately upon adoption by the council.

ADOPTED in open and regular session of the City Council of the City of Covington, Washington on this 12th day of December, 2017, and signed in authentication thereof.

Mayor Jeff Wagner

ATTEST:

Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

Kathy Hardy, City Attorney
City of Covington

Financial Management Policies
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Purpose

Good stewardship of public funds and assets is the hallmark of sound financial policies. The following policies provide the guidelines necessary to stay in legal compliance and meet the needs of the community both now and in the future.

A. GENERAL BUDGET POLICIES

A–1 Department directors have primary responsibility for formulating budget proposals in line with City Council and City Manager priority direction, and for implementing, monitoring, and reporting them once they are approved.

A–2 The City will adopt an annual operating and capital budget and budget process.

A–3 The Finance Department is responsible for coordinating the overall preparation and administration of the City's budget and Capital Investment Program Plan. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices.

A–4 The Finance Department assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

A–5 The City Council shall adopt the budget by ordinance at the fund level.

A–6 Interfund charges will be based on recovery of the direct costs associated with providing those services.

A–7 Regular full-time and part-time, seasonal, and temporary employee positions will be budgeted in the City's operating funds.

A–8 Provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes will be provided by the Finance Department. Any budget adjustments requiring City Council approval will occur through a process coordinated by the Finance Department and will occur prior to fiscal year end.

A–9 The Finance Department will review agenda items with potential fiscal impact submitted for City Council action. The objective of these reviews will be to ensure compliance with the budget and disclosure of all fiscal issues to the Council. This information will be presented in the fiscal impact section of each agenda bill.

A–10 Revenues derived from fees associated with development will be designated for the support of the development activities in the Development Services Fund.

A–11 The City's budget presentation will be directed at displaying the City's services plan in a Council/constituent-friendly format.

A–12 Contingency and Reserve Funds

a. It is the City’s policy to maintain a Contingency Fund in accordance with RCW 35A.33.145. The reserve will be available for unforeseen, urgent, or emergency needs. The contingency reserve is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. The maximum allowable in the contingency reserve is 37.5 cents per thousand dollars of assessed valuation.

b. It is the City’s policy to maintain a Cumulative Reserve Fund in accordance with RCW 35.21.070.

A–13 The City will maintain equipment replacement funds that will receive annually budgeted contributions from the operating expenses of departments owning the capital equipment in an amount necessary to replace the equipment at the end of its useful life. Life-cycle assumptions and
required contributions will be reviewed annually as part of the budget process. Monies collected from the sale of assets carried on the equipment replacement schedules will be receipted to equipment replacement funds.

A–14 Interfund loans will be permissible if practical and are governed by CMC 2.20.050.

A–15 The city will hold a budget workshop on the last Saturday of October in the year of budget adoption.

A–16 The budget will be prepared on a cash basis. This differs from the financial statements which are reported on a GAAP basis.

A–17 The budget will be prepared in a manner that reflects the full cost of providing services which includes operating and maintenance costs for capital projects.

A–18 Ongoing resources should be equal to or exceed ongoing expenditures. Each City fund budget shall identify ongoing resources that at least match expected ongoing annual requirements. One-time cash transfers and non-recurring ending fund balances will be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.

A–19 On an annual basis, departments will review existing services for relevancy and sustainability before proposing new ongoing services.

A–20 Departments who have underspent their budgets may request those funds (or a portion thereof) be carried over into the next budget cycle. For this to occur, the department must explain the reason for underspending and estimate the likely continuation of such variances.

B. REVENUE POLICIES

The City shall be sensitive to the balance between the need for services and the City's willingness to raise fees, charges, and taxes to support those services.

B–1 The City should strive to maintain a diversified mix of revenues in order to maintain needed services during periods of declining economic activity.

a. A base of property taxes and other stable revenues should be developed and maintained to provide a reliable base of revenues during periods of economic downturn.

b. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development investments.

B–2 The following factors will be considered when the City's taxes are increased, extended, changed, or reduced:

a. Stability of the tax source over its expected life.

b. Suitability for a pledge against future debt, if that is part of the City Council's long-range intent for the new tax.

c. Spread the tax burden throughout the City's tax base by utilizing a broad array of the tax sources available and by investigating mitigation of inequities and hardships where appropriate (e.g., property tax rebates for low-income elderly). Legislative remedies for harmful tax impacts should be sought where appropriate.

d. Apply the tax impact information for both residential and business taxpayers against a future vision of what the tax policy decision is intended to foster, in addition to the raising of revenues.

B–3 As much as is reasonably possible, City services that provide private benefit should be supported by fees and charges in order to provide maximum flexibility in use of general City taxes to meet the cost of services of broader public benefit. Charges for services that benefit specific users should be fully recovered, including all direct and indirect costs including but not limited to, capital costs,
department overhead, and Citywide overhead. Departments that impose fees or service charges should prepare and periodically update cost-of-service studies for such service. When consistent with legal requirements, other City interests such as remaining competitive within the region or meeting other City objectives, may dictate a subsidy of a portion of the costs of such services.

B–4 Sales tax revenues are designed to support general government operations and shall be allocated to the General Fund.

B–5 All regular property tax revenues will be allocated to support General Fund services unless there is a ballot measure approved by the voters that directs a certain amount of the property tax capacity be used for other City services.

B–6 Revenue estimates should be prepared on an objective basis to minimize the economic fluctuations that could imperil ongoing service programs during the upcoming budget cycle. Revenue increases greater than inflation will require additional documentation. Major revenue sources will require explanation.

B–7 The Surface Water Management Fund will be reviewed annually and it must have a rate structure adequate to meet its operations and maintenance and long-term capital requirements.

B–8 Rate increases should be small and applied frequently to avoid an overly burdensome future increase.

B–9 Investment interest will be credited to all city funds based on the monthly cash balances.

C. OPERATING POLICIES

C–1 Unless otherwise stated explicitly by the City Council, the City will not earmark unrestricted revenues for specific purposes in the General Fund. This will preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.

C–2 The City will seek to optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.

C–3 The Finance Director shall be responsible for the establishment, maintenance, monitoring, evaluation, and testing of systems to provide for the safeguarding of City assets along with the timely accounting, investment, and processing of all receipts. All monies received by the City shall be deposited in the City’s bank account(s) by the end of the next business day, unless extraordinary circumstances do not allow for making the deposits by the end of the next business day. Where bank deposits are delayed, monies will be safeguarded (e.g., kept in a safe) until they are deposited. The Finance Director has oversight and final authority over cash handling policies and procedures.

C–4 All items of a financial nature that may have financial implications to the city shall be vetted by the Finance Department in a timely manner to fully understand the issue and execute any necessary action well in advance of stated deadlines. This includes economic development, capital investment and cash flow needs, short- and long-term financing needs, external or internal presentations where numbers from financial statements/budgets are included, special event activities, grants, real estate purchases, etc.

C–5 Funds that exceed the minimum fund balance percentage of the unassigned fund balance of the general fund will be transferred to the capital investment [opportunity] reserve. This transfer will take place at the completion of the annual financial statement to assure the correct balance has been calculated.
C–6 The City will review the Unemployment Reserve Fund annually during the budget process to ensure adequate coverage.

D. PURCHASING AND EXPENDITURE CONTROL

D–1 It is the general policy of the City that all expenditures be rationally related to some public purpose and is reasonable in the amount and nature.

D–2 Primary responsibility and authority for the expenditure of monies according to the adopted budget will be vested by the City Manager in the department heads.

D–3 In addition to the primary responsibilities in Policy A–1, the Finance Director will exercise a secondary oversight responsibility for ALL budget expenditures. This includes responsibility for both technical errors and errors of judgment, which should be brought immediately to the attention of the responsible department head and the City Manager. However, unilateral changes may be made in line-item expenditures by the Finance Director if deemed necessary in order to expedite the accounts payable process.

D–4 All purchase orders and/or invoices will be signed by the responsible department head or his/her designee (or City Manager), and reviewed by the appropriate personnel in Finance for budget authority and proper coding.

D–5 Invoices for the costs of public utilities, telephone, postage, copy machine expenses, and others shared by more than one department will be reviewed and approved by the Finance Director or his/her designee.

D–6 All expenditures/expenses shall be pre-audited and certified by the Finance Director or his/her designee prior to submitting them to the City Council.

D–7 The accounts payable process will occur every other week opposite payroll. City Council approval will occur at the following Council meeting. The execution of checks in advance of City Council approval will occur under the following condition:

Members of the City Council’s Finance Committee will review and approve the supporting documentation of such disbursement before the next regularly scheduled meeting.

If the City Council at the subsequent Council meeting (after review), disapproves any such checks, the disapproved claims will be recognized as a receivable of the City and collections of said receivable will be diligently pursued until the amounts disapproved are collected or until the Council is satisfied and approves the claims.

D–8 All significant purchases should be made only after an effort to compare prices and alternatives from more than one vendor (see Resolution 06-36).

D–9 Credit cards may be issued to the City Manager, Department Heads, and employees for travel and other business-related expenses. (see Ordinance 03-06)

D–10 Non-employees such as volunteers are required to get prior authorization from staff before making purchases.

D–11 The finance director is authorized to sign budgeted and approved contract interval payments even though they may exceed his/her signing authority. E.g. Police Services

D–12 Salary range structures should be evaluated periodically to determine the relative competitiveness of the pay structure to the job market.

D–13 Notes made here to include salary survey, salary, benefits, retirement and VEBA.
D-14 Purchases for the current biennium must be received prior to the end of the biennium in order to be included in the current biennium budget. Otherwise they will be charged to the next biennium's budget.

D-15 Budget surpluses resulting from vacant positions are not to be used as justification [for elected officials or department directors] to increase expenses for operational or capital expenditures purposes.

D-16 Due to the nature of the state's constitution, no advances can be made on salary.

E. CONTRACT MANAGEMENT

E–1 When a project is presented to the Council for consideration, a preliminary budget estimate will be included. This estimate will show separate costs for the various phases of the project, including preliminary design, construction, and administration costs. Preliminary budget estimates may also provide for additional contract cost contingencies with the amount dependent upon the type of project and degree of uncertainties. When the Council approves a project they are also authorizing the budget in each contract category including the contingencies budget.

E–2 Prior to formal bidding for construction services, an engineer's estimate will be approved by the Council. Once the bids are opened, a revised budget may be brought back to the Council for approval, with the request to award the bid. When the Council awards the bid, it will also approve a revised budget or confirm the original budget as it finds to be in the best interest of the City.

E–3 When awarding professional service contracts the Council will authorize the City Manager to enter into a contract for a written scope-of-work on a cost plus basis with a stated "not-to-exceed" contract total cost. The dollar total will be broken down by major tasks, including a contingency budget if necessary.

E–4 The City will comply with RCW 39.80.010 when negotiating contracts for architectural and engineering services.

E–5 Professional service contracts may be authorized with a single consultant for several phases of work on the same project. The contract may be approved by Council, and subsequent phases may be authorized by the Council in the form of contract amendments.

E–6 The Public Works Director will have the authority to authorize payments up to the total contract only. If the scope-of-work does not change and the total cost is not violated, different amounts may be spent among the tasks within project budget categories. Changes in either the scope-of-work or the authorized budget shall be approved by the City Council as an amendment to the original contract.

E–7 After the award of contract only the City Manager or his/her designee will have the authority to approve change orders per the purchasing policy. The process for handling change orders will be spelled out in the construction contract.

E–8 The City Manager will report all change orders to the City Council including the dollar amount.

E–9 Any proposed change orders that exceed the budget amount will be submitted to Council for approval.

E–10 All contract and lease agreements will be reviewed by the Finance Director and City Attorney prior to final approval.
F. GENERAL LEDGER ACCOUNTS

F–1 A Petty Cash Fund is hereby authorized from the General Fund in the amount of $500 for minor disbursements. It will be periodically restored by a check drawn and charged to applicable accounts. The amount of the check should equal the aggregate of the disbursements.

Petty Cash purchases are limited to expenditures of $50 or less, and shall be approved by the appropriate Department Head or his/her designee, using a Petty Cash Request Form, prior to receipt of cash.

Individuals receiving Petty Cash shall immediately return to the Finance Department the receipt, any change due, and sign a verifying receipt of cash.

The Finance Director will delegate the custodian of the Petty Cash, and this individual will be independent of cashiering and check signing duties.

The Petty Cash Fund will be periodically audited by a person other than the custodian, usually the Finance Director or his/her designee

F–2 New revenue and expenditure accounts can only be authorized by the Finance Director or his/her designee and will only be set up if it's in the best interest of the accounting system. Finance will limit the number of new accounts.

G. DEBT POLICY

Background

The City of Covington (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt with debt primarily used as a tool to finance large capital investments.

Achieving and maintaining a solid bond rating is an important objective of the City's financial policies. To this end, the City is constantly working to improve its financial policies, budgets, forecasts, and financial health.

Purpose

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Policy is to establish criteria that will protect the City’s financial integrity while providing a funding mechanism to meet the City’s capital needs. All debt issued will be in compliance with this policy, Chapter 35A.40 Revised Code of Washington (RCW) - Fiscal Provisions Applicable to Code Cities and Chapter 43.80 RCW - Fiscal Agencies along with all other City, State, and Federal laws, rules, and regulations.

Scope

This Policy provides general guidance for the issuance and management of all City debt.

Responsibility

Authority to issue and manage debt is derived from titles 35 and 35A RCW (including without limitation RCW 35A.40.080-.090, chapter 35.37 RCW and chapter 35.41 RCW). This section gives the Finance Director authority to act in the capacity of City Treasurer, which includes the duties of debt management.

The Finance Director is responsible for assuring that the activities related to the issuance and payment of bonds or other obligations not jeopardize the bond rating.
G-1  **Budgeting and Capital Planning**

The City shall develop and maintain a capital planning process such as the annual Capital Investment Program for consideration and adoption by the City Council as part of the City’s budget process. The Finance Department is responsible for coordinating and analyzing the debt requirements. This will include timing of debt, calculation of outstanding debt, debt limitation calculations and compliance, impact on future debt burdens, and current revenue requirements.

Prior to issuance of debt, the City will prepare revenue projections, such as the annual budget or the Financial Forecast, to ensure that there is adequate revenue to make principal and interest payments.

G-2  **Types of Long-Term Debt**

The following is a description of the types of long-term debt the City may issue:

1. **General Obligation**

   This debt is backed by the full faith and credit of the City. State law limits this debt to 2.5% of the value of taxable property within the City for each of three purposes:

   A. **General Purposes**

      Debt issued in this category can be used for any purpose allowed by law.

      **Non-Voted**

      The City Council may authorize the issuance of general obligation debt up to 1.5% of the City’s assessed value without a vote of the public as long as there is an available source of funding to pay the debt service. This funding source can be the diversion of an existing revenue source or a new revenue coming from the enactment of a new tax or other revenue source. The debt can take the form of bonds, lease-purchase agreements, conditional sales contracts, certificates of participation, or other forms of installment debt.

      **Voted**

      The City Council may place any general obligation debt issue before the electorate. According to State law, if a debt issue is placed before the City’s electorate, it must receive a 60% or greater yes vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only.

   B. **Open Space and Parks**

      Debt issued in this category must be used for park and open space and/or recreation facilities. All debt in this category must be approved by the voters, and if so approved, the City is provided with an additional amount of debt capacity up to 2.5% of the value of taxable property within the City.

   C. **Local Option Capital Asset Lending (LOCAL) Program Debt**

      The City Council may authorize a financing contract with the Office of the State Treasurer under chapter 39.94 RCW. LOCAL borrowings count against the City’s non-voted debt limit.

2. **Revenue Debt**

   Revenue bonds are generally payable from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to constitutional or statutory debt limitations nor is voter approval required.
3. Local Improvement District (LID) Debt

LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security, and LID bonds are not subject to statutory debt limitations.

The debt is backed by the value of the property within the district and an LID Guaranty Fund. The LID Guaranty Fund is required by State law.

Assessment Debt (LID) is preferred to General Debt to fund improvements that specially benefit specific properties.

G-3 Short-Term Debt and Interim Financing

The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources.

The Finance Director is authorized to make loans from one City fund to another City fund for periods not exceeding three months. The Finance Director or designee is required to assure that the lending fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.

Interim Financing of Major Capital Projects

Interim financing of major capital projects may be arranged by Bond Anticipation Notes (BANS), interfund loans, or lines of credit with a major financial institution.

a. General Guidelines:

1. To the extent possible the City will utilize interfund loans for interim financing of capital projects, either in whole or in part. Interfund loans provide the lowest borrowing cost to the City as the interest expense to the borrowing fund is offset by interest income to the lending fund. Available funds consist of cash, State Investment Pool balances or other relatively liquid investments. The decision to sell long-term investments to provide funds for interfund loans will be made by the City Council based on applicable policies.

2. The decision to use the City's line of credit or the issuance of BANS should employ a cost/cash flow analysis comparing the two financing options. The administrative costs for bond counsel, underwriter and other fees will be taken into account for the costs of BANS. Other factors impacting the decision, such as the capacity of the line of credit, the timing of issuing permanent financing for paying down the line of credit prior to its maturity date, anticipated interest rate changes and arbitrage regulations will also be considered.

b. Line of Credit: If a line of credit is used the following policies will apply:

1. The line of credit is restricted to use for interim financing of capital projects for which long term-bonds are expected to be issued within two years of adoption of the ordinance or for which reimbursable grant monies are expected.

2. Upon sale of bonds for permanent financing of a project or receipt of grant funds, such funds will be used to immediately pay off the amount of the line of credit utilized by each project, including interest charged for use of the line of credit.

3. Each authorization of the line of credit will identify the particular project eligible and contain a specific not-to-exceed amount for each project.

4. Use of the line of credit for normal operating expenditures is prohibited.
5. The outstanding general obligation line of credit amount in conjunction with the City's other general obligations may not at any time exceed the City's statutory debt limit.

c. Bond Anticipation Notes (Bond Anticipation Notes). If BANs are used the following policies will apply:

1. The BANs will have a maximum maturity of two years from their issue date.
2. BANs can only be issued after a formally adopted bond ordinance by City Council.
3. The bond ordinance for the BANs will set a specific principal amount and identify the specific project(s) for which the proceeds are to be used.
4. Bond counsel charges, underwriter fees and other issuance costs may be included and paid from the BAN proceeds.
5. BANs will be subordinate to any outstanding bonds of the City.

d. Tax Anticipation Notes (TANs). If TANs are used the following policies will apply:

1. TANs will be used only where there is a significant misalignment between the timing of City tax receipts and City cash needs.
2. TANs will be structured to conform to federal tax requirements, i.e. no longer than 13 month maturities and state law where they must mature within six months after the end of the fiscal year in which the TANs are issued.

e. Grant Anticipation Notes (GANs). If GANs are used the following policies will apply:

1. GANs will be used only to assist with City cash flow needs on projects and programs where federal and/or state grants have been committed, but where there is a lag between City expenditures and reimbursement by the granting agency.
2. GANs will be structured to conform to federal tax requirements.

f. If an interfund loan is used the following policies will apply.

1. Interfund loans may only be made upon formal adoption of a resolution by the City Council.
2. The resolution for the interfund loan will set forth the term and amount of the loan, a schedule of repayment including interest; and set a current market rate of interest for loans of similar maturity and amount.
3. Interfund loans for interim financing of major capital projects made in anticipation of the issuance of long term bonds shall be repaid in full (including accrued interest) upon receipt of the bond proceeds.

The loaning fund shall have adequate funds to make the loan and to meet its anticipated operating needs over the life of the loan.

G-4 Limitation of Indebtedness

In addition to the limitations required by the RCW, the City's indebtedness is further limited by this policy to assure strong financial health. The limitations are applied to the assessed value of the City to arrive at a dollar value of indebtedness. For example, the 2005 assessed valuation used to determine the 2006 property tax levy was $1.5 billion, and the statutory limitation for general obligation debt is 2.5%. Therefore, the City's statutory debt limitation is $37.5 million. The following matrix shows the general limitation by type of debt. These limitations may be modified by the City Council up to the statutory limitation at the Council's discretion.
<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Statutory Limitations</th>
<th>Policy Limitations</th>
<th>2006 Covington Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation:</td>
<td>2.5%</td>
<td>2.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>General Purpose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Voted</td>
<td>1.5%</td>
<td>1.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Voted</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Parks, Open Space and Economic Development</td>
<td>2.5%</td>
<td>1.75%</td>
<td>0.0%</td>
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<tr>
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</tr>
<tr>
<td>Local Improvement District</td>
<td>no limit</td>
<td>no-limit *</td>
<td>NA</td>
</tr>
</tbody>
</table>

* Revenue and LID debt is not limited because no taxing power or general fund pledge is provided as security.

G-5 **Structure and Term of Debt**

1. Debt Repayment

The City shall pay all interest and repay all debt in accordance with the terms of the bond ordinance. The maturity of bonds issued should be the same or less than the expected life of the applicable project for which the bonds were issued. To the extent possible, the City will seek level or declining debt repayment schedules.

2. Variable-Rate Securities

When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. However, other than for short-term lines of credit and BANS, the City will avoid over use of variable-rate debt due to the potential volatility of such instruments.

G-6 **Professional Services**

The City’s Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City’s debt program.

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt’s federal income tax status and any other components necessary for the proposed debt. The City’s Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City’s debt program.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City’s debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.
3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

4. Fiscal Agent

A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with Chapter 43.80 RCW, the City will use the Fiscal Agent that is appointed by the State.

G-7 Method of Sale

Presumption of Competitive Sale — The City will generally issue its debt through a competitive process but may use a negotiated process under the following conditions:

- The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
- The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

Competitive Bid Method — any competitive sale of the City of Covington debt will require approval of the City Council. City of Covington debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost (TIC) to the City. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase the bonds.

Negotiated Bid Method — when deemed appropriate to minimize the costs and risks of the City of Covington’s debt issue, the Finance Director will submit to the City Council a request to sell the debt issue on a negotiated basis. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarking fees and commissions.

The City of Covington, with assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers.

The City of Covington shall, with assistance of its Financial Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions;
- The allocation process complies with all Municipal Securities Rulemaking Board regulations governing order priorities and allocations; and
- The lead underwriter shall submit to the Finance Director a complete and timely account of all orders, allocations, and underwriting activities.

The Finance Director shall require a post-sale analysis and reporting for each negotiated bond sale. The independent Financial Advisor shall perform such analysis and provide a final pricing book by the day of the closing. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
✓ Results of comparable bond sales in the market at the time of the City’s pricing;
✓ Detailed information on a) orders and allocation of bonds, by underwriting firm, b) detailed information on final designations earned by each underwriter, and c) a summary of total compensation received by each underwriter; and
✓ Historic comparisons to Municipal Market Data indexes — day of sale basis.

No debt issue will be sold on a negotiated basis without an independent Financial Advisor.

G-8 Credit Ratings

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City’s general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.

G-9 Refunding Debt

A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will require a present value savings of three percent of the principal amount of the refunding debt being issued.

G-10 Arbitrage Rebate Monitoring and Reporting

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11.

The Finance Director shall, when deemed necessary or when required, procure the services of an arbitrage rebate calculation firm. The purpose of the arbitrage rebate calculation firm is to provide arbitrage rebate compliance services in accordance with the Internal Revenue Code of 1986, as amended (“Code”).

The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

G-11 Covenant Compliance

The City will comply with all covenants stated in the bond ordinance, contract, etc.

G-12 Ongoing Disclosure

The Finance Director shall be responsible for providing annual disclosure information to established national information repositories and for maintaining compliance with disclosure statements as required by state and national regulatory bodies. Disclosure required by the Securities & Exchange Commission shall occur by the date designated in the bond ordinance, which is currently July 31 of each year. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not reasonably contained within the CAFR.
**G-13 Structural Elements**

Maturity — The City of Covington shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years (RCW 39.46.110).

Debt Service Structure — unless otherwise justified and deemed necessary, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified and deemed necessary, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.

Maturity Structure — the City of Covington’s long-term debt may include serial and term bonds. Unless otherwise justified, term bonds should be sold with mandatory sinking fund requirements.

Price Structure — the City of Covington’s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given applicable market conditions.

Coupon Type— unless otherwise justified and deemed necessary, long-term debt will be sold using current interest coupons. If justified and deemed necessary, capital appreciation bonds (zero coupon bonds) may be issued.

Redemption Features — for each transaction, the City of Covington shall evaluate the costs and benefits of call provisions.

Bond Insurance — for each transaction, the City of Covington shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City of Covington shall be competitively procured.

Tax-exemption - Unless otherwise justified and deemed necessary, the City of Covington shall issue its debt on a tax-exempt basis.

**G-14 Pledge of revenues** — The City of Covington's pledge of revenues shall be determined for each debt issue depending upon the debt instrument:

- **Unlimited Tax General Obligation Bonds**: Unlimited Tax General Obligation Bonds of the City of Covington shall be repaid from voter-approved excess property taxes on property within the jurisdiction of the City of Covington.

- **Limited Tax General Obligation Bonds**: Limited Tax General Obligation Bonds of the City of Covington shall be repaid from regular property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources such as sales tax, real estate excise tax, or reserve funds.

- **Revenue Bonds**: Revenue Bonds of the City of Covington shall be repaid from specified revenues, as defined in the authorizing ordinance.

- **Special Assessment Bonds**: Special Assessment Bonds of the City of Covington shall be repaid from assessments collected from within a special assessment district formed by the City of Covington pursuant to applicable law.

- **Local Option Capital Asset Lending (LOCAL) Program Debt**: (LOCAL) Program Debt of the City of Covington shall be repaid from property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources.

- **Other Debt Instruments [if applicable]**: Other Debt Instruments of the City of Covington shall be repaid from revenues, as defined in the authorizing ordinance.

**G-15 Rating Agencies**

The Finance Department shall manage relationships with the rating analysts assigned to the City of Covington’s credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:
✓ Full disclosure, on an annual basis, of the financial condition of the City of Covington;
✓ A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the City of Covington’s credit;
✓ Timely disclosure of any financial events that may impact the City of Covington’s credit;
✓ Timely dissemination of the Annual Financial Report, following its completion; and
✓ Complete and timely distribution of any documents pertaining to the sale of bonds.

Credit Objective - The City of Covington shall seek to maintain and improve its credit rating.

Bond Insurers

The Finance Director shall manage relationships with the analysts at the bond insurers assigned to the City of Covington’s credit, using both informal and formal methods to disseminate information.

G-16 Investment of Proceeds

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

Refunding Escrow – Unless otherwise justified and deemed necessary City of Covington shall utilize State and Local Government Series (SLGS) for the refunding escrow. SLGS are special series of U.S. Treasury securities.

If open markets securities are deemed appropriate the City of Covington shall in consultation with bond counsel comply with each of the following:
  a) Make a bona fide solicitation for securities and, of the bids received, at least three are bona fide bids from sellers that have no involvement in the pricing of the issue; and
  b) Purchase securities from the bidder which made the highest yielding bid and such securities have a yield at least as high as such bid.

G-17 Bond Users Clearinghouse

The City of Covington shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by Chapters 39.44.200 through 39.44.240 RCW and Chapter 365-130 WAG. The information requested by RCW 39.44.210 includes but is not limited to:
  ✓ the par value of the bond issue;
  ✓ the effective interest rates;
  ✓ a schedule of maturities;
  ✓ the purposes of the bond issue;
  ✓ cost of issuance information; and
  ✓ the type of bonds that are issued.

G-18 Legal Covenants

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

G-19 Refunding Savings Thresholds

Refundings will be conducted in accordance with the Refunding Bond Act, chapter 3953 RCW.
Unless otherwise justified, City of Covington will refinance debt to achieve true savings as market opportunities arise.

Unless otherwise justified, an “advance refunding” transaction will require a present value savings of five percent of the principal amount of the refunding debt being issued.

Unless otherwise justified, a “current refunding” transaction will require graduated present value savings as follows:

<table>
<thead>
<tr>
<th>Years Between Call and Final Redemption</th>
<th>Present Value Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 years</td>
<td>1%</td>
</tr>
<tr>
<td>3-4 years</td>
<td>2%</td>
</tr>
<tr>
<td>5-6 years</td>
<td>3%</td>
</tr>
<tr>
<td>7-8 years</td>
<td>4%</td>
</tr>
<tr>
<td>9+ years</td>
<td>5%</td>
</tr>
</tbody>
</table>

Selection of maturities to be refunded — unless otherwise justified, all callable maturities of an issue will be included in a refunding.

G-20 Derivative Products

No derivative products will be utilized unless permitted by law, and not without prior City Council approval. No derivative products shall be utilized without an analysis by an independent financial advisor. No derivative products shall be used for the purpose of interest rate speculation.

G-21 Alternative Financings Schemes

The City of Covington shall not utilize alternative financing schemes to avoid restrictions imposed by law or to utilize tax loop-holes.

G-22 Evaluating Capital Improvement Program Spending

The City of Covington shall integrate its debt issuance with its Capital Improvement Program spending.

G-23 Modeling the Impact of Capital Program Needs

The City of Covington shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Finance Department shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows for capital and operating expenditures;
- Historic and projected fund balances;
- Historic and projected debt service coverage; and
- Projected revenue requirements.

G-24 Debt Database Management

The City of Covington shall maintain complete information on its outstanding debt portfolio, in a
database format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Par Amount of the Issue
- Dated Date and Sale Date of the Issue
- Purpose of the Issue
- Security Type (Fixed or Variable) of the Issue
- Issue Type (New Money or Refunding) of the Issue
- Sale type (Competitive or Negotiated) of the Issue
- TIC, Arbitrage Yield, Avg. Life, and Underwriters Discount of the Issue
- Underwriter(s) of the Issue
- Principal Amounts by Maturity
- Principal Amounts Outstanding by Maturity
- Coupon Rate and Coupon Type (Current Interest or Zeros) by Maturity
- Original Yield and Original Price by Maturity
- Interest Payment Frequency by Maturity
- First Interest Payment Date by Maturity
- Call Provisions by Maturity
- Sinking Provisions by Maturity
- Credit Enhancement, if any, by Maturity

The City of Covington shall use the debt database for the following purposes:

- Generate reports;
- Refunding Analyses; and
- Output to Fund Accounting System.

G-25 Accounting for the Issuance of Debt

The City of Covington shall account for the issuance of debt using general accepted accounting principals ("GAAP") as established by the Governmental Accounting Standards Board ("GASB"). Cost of issuance shall be reported as an expenditure rather than netted against proceeds.

G-26 Debt Policy Review

The City of Covington shall review and update its debt policy every four years.

H. INVESTMENT

H–1 The City's primary objective is to manage its total cash and cash equivalent assets in a manner that conforms completely to the constraints of this policy while maximizing the interest earnings of the portfolio. This will be done in a manner that supports the government's primary purpose of providing services to its citizens.

The primary purpose in determining a strategy for the City of Covington's investment activities is as follows:
Legality: The City's investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington, the BARS manual, this investment policy and corresponding administrative procedures.

Safety: Safety of principal is of primary importance to the City. Investments of the City will be undertaken in a manner that seeks to guard the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.

Liquidity: The City's investments will remain sufficiently liquid to facilitate the City's need to meet all operating and debt requirements which might be reasonably anticipated.

Yield: The City's investments will be established with the objective of achieving a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics of the portfolio.

The City has also determined to limit investment purchases to the following investment types, which the City has determined best meet their overall investment strategy. This authorization applies to all City funds.

a.) Investment deposits, including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.

b.) Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association). However, this authorization will specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm.

c.) Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)


e.) Bonds of the State of Washington and any local government in the State provided they carry a current debt rating in the top three categories of a nationally recognized rating agency at the time of investment.

f.) General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

g.) Prime Banker's Acceptances purchased on the secondary market with ratings of A1/P1 by a nationally recognized rating agency.

h.) Repurchase agreements for securities listed above, provided that the transaction is structured so that the City of Covington obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer. Collateralization will be required on all repurchase agreements at a level of 102% of the market value of principal and accrued interest. This is to anticipate any market changes and to provide an adequate level of security for all funds. Collateral is limited to the types of investments detailed in this section.

The Finance Director will consider all investments as common investments whose ownership is derived from each participating fund. Interest earned by the common investment portfolio will be
applied in its entirety to each participating fund on the basis of its available cash balance. Unless specified by the Finance Director, all cash and cash equivalent assets of every fund will be considered available for investment. The only exception to the common investment portfolio will be investments made from the proceeds of bond sales and only to the extent necessary to provide a separate accounting of investment activity.

H–4 Funds set aside to satisfy City debt in conjunction with an advance refunding agreement will be invested in accordance with appropriate bond documents and not necessarily in compliance with this policy. If bond covenants are more restrictive than this policy, funds will be invested in full compliance with those additional restrictions.

H–5 All investments of the City of Covington shall be made in compliance with Federal and State law and in accordance with those legal interpretations that apply. The investment of any tax-exempt borrowing proceeds and of any debt service funds shall comply with the 1986 Tax Reform Act if that Act applies to the debt issued.

H–6 The Finance Director is the investment officer of the City. The Finance Director will develop written procedures for the operation of the investment program consistent with this investment policy and approved by the City Manager. These procedures will include a detailed delegation of authority to persons responsible for investment transactions. The Finance Director will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate employees. The Finance Director will ensure a periodic independent annual review of investment activities and internal controls are performed by the external-auditing agency.

H–7 The City Manager will provide investment oversight to the Finance Director. The Finance Director will report investment activity monthly to the City Manager and semi-annually to the City Council. The City Council will amend the Investment Policy, as needed, by Resolution.

H–8 Investments will be made with judgment and care, in consideration of the circumstances then prevailing, which person(s) of prudence, discretion and intelligence would exercise in the management of their own affairs for investment purposes, not for speculation, taking into account the probable safety of their capital as well as the probable income expected to be derived.

H–9 Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the City Council any substantive financial interest in financial institutions that conduct business within this jurisdiction. They will also disclose any material personal financial or investment positions that could be related to the performance of the City’s portfolio. Employees and Officers will subordinate their personal investment transactions to those of the City of Covington, particularly in regard to the timing of purchases and sales.

H–10 The Finance Director will conduct investment transactions with several competing, reputable investment securities broker/dealers. A list will be maintained of approved security broker/dealers selected for their credit worthiness, industry reputation, knowledge of public sector investment practices, and who maintain an office in the State of Washington. The Finance Director has the authority to remove any broker/dealer from the list, with or without cause by written notice. Broker/dealers may appeal the Finance Director’s action by written appeal to the City Manager.

H–11 The Finance Director will maintain a list of financial institutions as required by the Public Deposit Commission (PDC), authorized to provide investment services as outlined in R.C.W. 39.58.080.

H–12 All investment securities bought by the City, including collateral being held on repurchase agreements, will be held by the City or in safekeeping for the City by the City’s custodian bank. A third party bank trust department may be appointed as agent for the City under the terms of a custody or trustee agreement signed by both the bank and the City. The primary agent of the custodian bank will provide a safekeeping receipt to the City listing the specific instrument, its rate and maturity, and any other pertinent information. All security transactions, including collateral for
repurchase agreements, entered into by the City of Covington will be conducted on a delivery-versus-payment (DVP) basis.

H–13 Repurchase Agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping service is first obtained. This agreement shall very clearly establish that the bank/trust is acting as a third party agent for the Finance Director, not the broker/dealer arranging the repurchase agreements. Such third party safekeeping arrangements will be documented with a signed agreement between the Finance Director and the bank/trust involved assuring that the Finance Director has absolute control over the securities once they are delivered to safekeeping and that the dealer does not have access to them under any circumstances.

H–14 Investment officials will be bonded to provide protection to the City against loss due to possible embezzlement or malfeasance.

H–15 The City will assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and the State Investment Pool, the City will invest no more than twenty-five percent (25%) of its total investment portfolio in a single security type or with a single financial institution.

H–16 To the degree possible, the City will attempt to match its investments with anticipated cash flow requirements. Liquidity should be ensured through practices that include covering the next vendor disbursement and payroll dates through maturing investments. Unless specifically matched to a certain cash flow, or estimated to meet cash flow needs, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

H–17 The City of Covington's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The City will report investment yield benchmarked to the yield of the six-month Treasury Bill and/or the Average Fed Funds rate and/or the return provided by the State Investment Pool as needed.

H–18 The Finance Director will actively manage daily cash to the extent that transaction costs do not overcome interest earnings. The goal is to have ninety percent of the city's entire cash and cash equivalent assets invested.

I. INTERGOVERNMENTAL REVENUES AND RELATIONS POLICIES

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City shall take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

I–1 The City will refrain from using grants to meet ongoing service delivery needs. In the City's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs.

I–2 All grant agreements will be reviewed to ensure compliance with state, federal, and City regulations.

I–3 The City will budget expenditures for grant-funded programs only after a grant award or letter of commitment, and only for the amount of grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.

I–4 The City will aggressively oppose state or federal actions that mandate expenditures which the City Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.
I–5. The City will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. All intergovernmental agreements and contracts for service delivery will be brought forward to the City Council for approval.

I-6. Capital grants with local matching requirements can only be accepted for with the express approval of the City Council regardless if indicated in the Capital Investment Program.

J. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's partners and investors that the City is well managed and fiscally sound.

J–1 The City will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state’s budget laws and regulations. The City will report its financial condition and results of operations in accordance with state regulations and generally accepted accounting principles applicable to governments.

J–2 The State Auditor will annually perform a financial and compliance audit of the City's financial statements. Their opinions will be contained in the City’s Comprehensive Annual Financial Report (CAFR) and the Report on Compliance with the Single Audit Act of 1984 (if required).

J–3 The City will minimize the number of funds. The funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes.

J–4 Excellence in Financial Reporting: As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The CAFR will be presented in a way designed to communicate with citizens about the financial affairs of the City.

J–5 Quarterly financial reports, including a review of budgeted expenditures and revenues, will be prepared and reported to the Council during regular meetings.

J–6 The city shall maintain an audit committee as established per CMC 3.25.70.

K. FINANCIAL PLANNING POLICIES

The City shall develop and maintain a six-year Financial Forecast that estimates resource and expenditure behavior for five years beyond the current budget period. This forecast will provide the City’s decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City's resources. To this end, the Forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning should ensure the delivery of needed services (many of which become more critical during economic downturns) by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

K–1 Operational and Capital Funds:

a. The Finance Department will prepare and maintain a Financial Forecast for Operational and Capital Funds based on current service levels and current funding sources. This forecast will include the upcoming year as well as five years beyond the current period (a total of six forecast years). This future-oriented look will provide insight into whether the current mix and level of resources are likely to continue to be sufficient to cover current service levels. The forecast also allows staff and City Council to test various “what-if” scenarios and examine the fiscal impact on future budget cycles.

b. The City will periodically test both its planning methodology and use of planning tools in order to
provide information that is timely, accurate, and widely disseminated to users throughout the City.

c. Departments will forecast and monitor their respective revenues and expenditures with assistance from the Finance Department. The Finance Department will assist departments in developing appropriate systems for such monitoring and will retain overall fiscal oversight responsibility for all funds.

K–2 Contingencies

a. Expenditure estimates should anticipate contingencies that are reasonably predictable and also differentiate between ongoing expenditures and those that are one-time activities.

Other policies listed under separate cover:

1) Capital Asset Policies and Procedures
2) Purchasing Policies and Procedures
3) Equipment Rental Fund Policies
4) Travel Expense Policy
5) Fund Balance
6) Use of City Credit Cards
7) Cash Receipting and Cash Handling Procedures
Summary review of financial management policy changes:

Window dressing:

1) Created a new title page with new city logo.
2) Added a table of contents.

GENERAL BUDGETING:

• Changes to contingency and reserve funds.
• Added the capital opportunity reserve.
• Adding budget workshop dates.
• Noted that the city budgets on a cash basis. (this has been the practice just documenting it)
• The full cost of providing services which include operations and maintenance should be budgeted.
• Departments to review existing services for relevancy and sustainability before proposing new services.
• Addressing underspending in current budget year and carry over to next year.

REVENUE POLICIES:

• Change forecast language to reflect objectivity rather than conservative estimate.
• Turning practice into written policy regarding interest earnings.

OPERATING POLICIES:

• Adding more detail to finance director duties and responsibilities as they relate to assets including cash.
• New policy related to the role finance plays in the city.
• Establishment of the capital opportunity reserve.

PURCHASING AND EXPENDITURE CONTROL:

• Added some cross references to other related policies.
• Strengthened language on signature authority.
• Removed finance director and added central services manager for review of invoices pertaining to central services. (current practice)
• Added an exception for payment of invoices with specific deadlines.
• Referenced the salary survey.¹
• Expenditures related to salary and benefits.²
• Receipt of goods prior to the end of the budget cycle.
• Noting the utilization of excess funds from surplus salary and benefits.
• No advances on salary.

CONTACT MANAGEMENT:

• Added language for public works projects included in the budget that need council approval.
• Added language for public works projects that are not included in the budget and need council approval.
• Added language for public works projects included in the budget are within the signature authority of the city manager and/or department director.

¹ This is in the employee handbook but since salaries impact expenditures it’s noted here as well.
² This is in the employee handbook but since salaries impact expenditures it’s noted here as well.
• Added language for public works projects that are not included in the budget but fall within the authority of the city manager and/or department director.
• Removed language pertaining to approval of engineer’s estimates.
• Clarified language as it pertains to change orders.
• Broadened language pertaining to contract compliance.
• Modified change order language for reporting to council to include only those change orders that exceed the budget plus contingency.
• Adding that the finance director and his/her designee may sign budgeted and approved contract interval payments such as police services and WCIA (Which exceeds normal signing authority) (current practice).

GENERAL LEDGER ACCOUNTS:
• Noted that petty cash funds are authorized from the general fund.
• Added the phrase “including funds”. Creating new funds adds audit issues as well as accounting issues. These should be created sparingly and only if required.

DEBT POLICY:
• Formatting and spelling changes
• Removed confusing language on the limitation of indebtedness.
• Noted that a financial advisor “may” be used by the city instead of “will”.
• Removed language specific to GASB. G-25

INVESTMENT POLICY:
• Added another legal investment to the list of authorized investments – per RCW.
• Adjusted reporting timeframe from monthly to quarterly to match current practice.
• Extended the investment maturity horizon from three to five years.
• Added “as needed” to H-17.

INTERGOVERNMENTAL REVENUES AND RELATIONS POLICY:
• Change on I-6 to reflect reporting grants and matching requirements which exceed the city manager’s purchasing authority.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES:
• Added quarterly reporting – a practice already in place.
• Added audit committee – a practice already in place and part of the CMC.

FINANCIAL PLANNING POLICIES:
• Formatting changes.
• Added language giving finance overall fiscal authority for all funds.

Added a list of other policies that are listed separately

Notes:
A) An index would be a nice add-in but is very time consuming to create.
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rhendrickson  
12/5/2017
City of Covington

Financial Management Policies

Purpose

Good stewardship of public funds and assets is the hallmark of sound financial policies. The following policies provide the guidelines necessary to stay in legal compliance and meet the needs of the community both now and in the future.

A. A. GENERAL BUDGET POLICIES

A–1 Department directors have primary responsibility for formulating budget proposals in line with City Council and City Manager priority direction, and for implementing, monitoring, and reporting them once they are approved.

A–2 The City will adopt an annual operating and capital budget and budget process.

A–32 The Finance Department is responsible for coordinating the overall preparation and administration of the City’s budget and Capital Investment Program Plan. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices.

A–43 The Finance Department assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

A–54 The City Council shall adopt the budget by ordinance at the fund level.
Interfund charges will be based on recovery of the direct costs associated with providing those services.

Regular **full-time and part-time, seasonal, and temporary** employee positions will **normally** be budgeted **only** in the City's operating funds.

Quarterly financial reports, including a review of budgeted expenditures and revenues, will be prepared and reported to the Council at regular meetings. Included will be provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes. Any budget adjustments requiring City Council approval will occur through a process coordinated by the Finance Department and will occur prior to fiscal year end.

The Finance Department will review agenda items with potential fiscal impact submitted for City Council action. The objective of these reviews will be to ensure compliance with the budget and disclosure of all fiscal issues to the Council. This information will be presented in the fiscal impact section of each agenda bill.

Revenues derived from fees associated with development will be designated for the support of the development activities in the Development Services Fund.

The City's budget presentation will be directed at displaying the City's services plan in a Council/constituent-friendly format.

**Contingency and Reserve Funds Balances**

a. It is essential that the City maintain adequate levels of unreserved fund balance to mitigate current and future risks and to ensure stable tax rates. As such, unreserved ending fund balances, excluding contingency and cumulative reserve funds, for the operating funds (General, Parks, Street, and Surface Water Management) will be required to have a minimum of 10% of operating expenditures in unreserved ending fund balance. All other funds, such as Development Services and Capital Investment, will be required to have a 15% minimum unreserved ending fund balance of expenditures.

b. It is the City's policy to maintain a Contingency Fund in accordance with RCW 35A.33.145. The reserve will be available for unforeseen, urgent, or emergency needs. The contingency reserve is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. The maximum allowable in the contingency reserve is 37.5 cents per thousand dollars of assessed valuation.

c. It is the City's policy to maintain a Cumulative Reserve Fund in accordance with RCW 35.21.070.
The City will maintain equipment replacement funds that will receive annually budgeted contributions from the operating expenses of departments owning the capital equipment in an amount necessary to replace the equipment at the end of its useful life. Life-cycle assumptions and required contributions will be reviewed annually as part of the budget process. Monies collected from the sale of assets carried on the equipment replacement schedules will be receipted to equipment replacement funds.

Interfund loans will be permissible if practical and are governed by CMC 2.20.050. Interest rates will be computed based on a rolling 12-month average of the State Investment Pool earnings rate.

The city will hold a budget workshop on the last Saturday of October in the year of budget adoption.

The budget will be prepared on a cash basis. This differs from the financial statements which are reported on a GAAP basis.

The budget will be prepared in a manner that reflects the full cost of providing services which includes operating and maintenance costs for capital projects.

Ongoing resources should be equal to or exceed ongoing expenditures. Each City fund budget shall identify ongoing resources that at least match expected ongoing annual requirements. One-time cash transfers and non-recurring ending fund balances will be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.

On an annual basis, departments will review existing services for relevancy and sustainability before proposing new ongoing services.

Departments who have underspent their budgets may request those funds (or a portion thereof) be carried over into the next budget cycle. For this to occur, the department must explain the reason for underspending and estimate the likely continuation of such variances.

Distinguished Budget Presentation: The City will seek to obtain the Government Finance Officers Association Distinguished Budget Presentation Award for each annual budget. The Budget will be presented in a way that clearly communicates the budget to members of the public.

REVENUE POLICIES

The City shall be sensitive to the balance between the need for services and the City’s ability/willingness to raise fees, charges, and taxes to support those services.

The City should strive to maintain a diversified mix of revenues in order to maintain needed services during periods of declining economic activity.
a. A base of property taxes and other stable revenues should be developed and maintained to provide a reliable base of revenues during periods of economic downturn.

b. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development investments.

B–2 The following factors will be considered when the City's taxes are increased, extended, changed, or reduced:

a. Stability of the tax source over its expected life.

b. Suitability for a pledge against future debt, if that is part of the City Council's long-range intent for the new tax.

c. Spread the tax burden throughout the City's tax base by utilizing a broad array of the tax sources available and by investigating mitigation of inequities and hardships where appropriate (e.g., property tax rebates for low-income elderly). Legislative remedies for harmful tax impacts should be sought where appropriate.

d. Apply the tax impact information for both residential and business taxpayers against a future vision of what the tax policy decision is intended to foster, in addition to the raising of revenues.

B–3 As much as is reasonably possible, City services that provide private benefit should be supported by fees and charges in order to provide maximum flexibility in use of general City taxes to meet the cost of services of broader public benefit. Charges for services that benefit specific users should be fully recovered, including all direct and indirect costs including but not limited to, capital costs, department overhead, and Citywide overhead. Departments that impose fees or service charges should prepare and periodically update cost-of-service studies for such service. When consistent with legal requirements, other City interests such as remaining competitive within the region or meeting other City objectives, may dictate a subsidy of a portion of the costs of such services.

B–4 Sales tax revenues are designed to support general government operations and shall be allocated to the General Fund. As such, they will be allocated between the General Fund and the Parks Fund at a level to be determined during each budget cycle.

B–5 All regular property tax revenues will be allocated to support General Fund services unless there is a ballot measure approved by the voters that directs a certain amount of the property tax capacity be used for other City services.

B–6 Revenue estimates should be prepared on an objective-conservative basis to minimize the economic fluctuations that could imperil ongoing service programs during the upcoming budget cycle. Revenue increases greater than inflation will require additional documentation. Major
revenue sources will require explanation.

B–7 The Surface Water Management Fund will be reviewed annually and it must have a rate structure adequate to meet its operations and maintenance and long-term capital requirements.

B–8 Rate increases should be small and applied frequently to avoid an overly burdensome future increase.

B–9 Investment interest will be credited to all city funds based on the monthly cash balances.

B. C. OPERATING POLICIES

C–1 Ongoing resources should be equal to or exceed ongoing expenditures. Each City fund budget shall identify ongoing resources that at least match expected ongoing annual requirements. One-time cash transfers and non-recurring ending fund balances will be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.

C–12 Unless otherwise stated explicitly by the City Council, the City will not earmark unrestricted revenues for specific purposes in the General Fund. This will preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.

C–23 The City will seek to optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.

C–4 Accurate inventories of all physical assets, their condition, life span, and cost will be maintained. (refer to section K. Fixed Assets)

C–35 The Finance Director shall be responsible for the establishment, maintenance, monitoring, evaluation, and testing of systems to provide for the safeguarding of City assets along with the timely accounting, investment, and processing of all receipts. All monies received by the City shall be deposited in the City’s bank account(s) by the end of the next business day, unless extraordinary circumstances do not allow for making the deposits by the end of the next business day. Where bank deposits are delayed, monies will be safeguarded (e.g., kept in a safe) until they are deposited. The Finance Department 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. All cash received by City departments will be deposited the same business day. The Finance Director has oversight and final authority over cash handling policies and procedures.

C–4 All items of a financial nature that may have financial implications to the city shall be vetted by the Finance Department in a timely manner to fully understand the issue and execute any necessary
action well in advance of stated deadlines. This includes economic development, capital investment and cash flow needs, short- and long-term financing needs, external or internal presentations where numbers from financial statements/budgets are included, special event activities, grants, real estate purchases, etc.

C–5 Funds that exceed the minimum fund balance percentage of the unassigned fund balance of the general fund will be transferred to the capital investment [opportunity] reserve. This transfer will take place at the completion of the annual financial statement to assure the correct balance has been calculated.

C–6 The City will review the Unemployment Reserve Fund annually during the budget process to ensure adequate coverage.

C. PURCHASING AND EXPENDITURE CONTROL

D–1 It is the general policy of the City that all expenditures be rationally related to some public purpose and is reasonable in the amount and nature.

D–2 Primary responsibility and authority for the expenditure of monies according to the adopted budget will be vested by the City Manager in the department heads.

D–3 In addition to the primary responsibilities in Policy A-1, the Finance Director will exercise a secondary oversight responsibility for ALL budget expenditures. This includes responsibility for both technical errors and errors of judgment, which should be brought immediately to the attention of the responsible department head and the City Manager. However, unilateral changes may be made in line-item expenditures by the Finance Director if deemed necessary in order to expedite the accounts payable process.

D–4 All purchase orders and/or invoices will be signed by the responsible department head or his/her designee (or City Manager), and reviewed by the appropriate personnel in Finance for budget authority and proper coding.

D–5 Invoices for the costs of public utilities, telephone, postage, copy machine expenses, and others shared by more than one department will be reviewed and approved by the Finance Director or his/her designee.

D–6 All expenditures/expenses shall be pre-audited and certified by the Finance Director or his/her designee prior to submitting them to the City Council.

D–7 The accounts payable process will occur every other week opposite payroll. City Council approval will occur at the following Council meeting. The execution of checks in advance of City Council approval will occur under the following condition:
Members of the City Council’s Finance Committee will review and approve the supporting documentation of such disbursement before the next regularly scheduled meeting.

If the City Council at the subsequent Council meeting (after review), disapproves any such checks, the disapproved claims will be recognized as a receivable of the City and collections of said receivable will be diligently pursued until the amounts disapproved are collected or until the Council is satisfied and approves the claims.

**D–8** All significant purchases should be made only after an effort to compare prices and alternatives from more than one vendor (see Resolution 06-36).

**D–9** Credit cards may be issued to the City Manager, Department Heads, and employees for travel and other business-related expenses. (see Ordinance 03-06)

**D–10** Non-employees such as volunteers are required to get prior authorization from staff before making purchases.

**D–11** The finance director is authorized to sign budgeted and approved contract interval payments even though they may exceed his/her signing authority. E.g. Police Services

**D–12** Salary range structures should be evaluated periodically to determine the relative competitiveness of the pay structure to the job market.

**D–13** Notes made here to include salary survey, salary, benefits, retirement and VEBA.

**D–14** Purchases for the current biennium must be received prior to the end of the biennium in order to be included in the current biennium budget. Otherwise they will be charged to the next biennium’s budget.

**D–15** Budget surpluses resulting from vacant positions are not to be used as justification [for elected officials or department directors] to increase expenses for operational or capital expenditures purposes.

**D–16** Due to the nature of the state’s constitution, no advances can be made on salary.

**E. CONTRACT MANAGEMENT**

**E–1** When a project is presented to the Council for consideration, a preliminary budget estimate will be included. This estimate will show separate costs for the various phases of the project, including preliminary design, construction, and administration costs. Preliminary budget estimates may also provide for additional contract cost contingencies with the amount dependent upon the type of project and degree of uncertainties. When the Council approves a project they are also authorizing the budget in each contract category including the contingencies budget.

**E–2** Prior to formal bidding for construction services, an engineer’s estimate will be approved by the Council. Once the bids are opened, a revised budget may be brought back to the Council for approval, with the request to award the bid. When the Council awards the bid, it will also approve a revised budget or confirm the original budget as it finds to be in the best interest of the City.
E–3 When awarding professional service contracts the Council will authorize the City Manager to enter into a contract for a written scope-of-work on a cost plus basis with a stated "not-to-exceed" contract total cost. The dollar total will be broken down by major tasks, including a contingency budget if necessary.

E–4 The City will comply with RCW 39.80.010 when negotiating contracts for architectural and engineering services.

E–5 Professional service contracts may be authorized with a single consultant for several phases of work on the same project. The contract may be approved by Council, and subsequent phases may be authorized by the Council in the form of contract amendments.

E–6 The Public Works Director will have the authority to authorize payments up to the total contract only. If the scope-of-work does not change and the total cost is not violated, different amounts may be spent among the tasks within project budget categories. Changes in either the scope-of-work or the authorized budget shall be approved by the City Council as an amendment to the original contract.

E–7 After the award of contract only the City Manager or his/her designee will have the authority to approve change orders per the purchasing policy. The process for handling change orders will be spelled out in the construction contract.

E–8 The City Manager will report all change orders to the City Council including the dollar amount.

E–9 Any proposed change orders that exceed the budget amount will be submitted to Council for approval.

E–10 All contract and lease agreements will be reviewed by the Finance Director and City Attorney prior to final approval.

F. GENERAL LEDGER ACCOUNTS

F–1 A Petty Cash Fund is hereby authorized from the General Fund in the amount of $500 for minor disbursements. It will be periodically restored by a check drawn and charged to applicable accounts. The amount of the check should equal the aggregate of the disbursements.

Petty Cash purchases are limited to expenditures of $50 or less, and shall be approved by the appropriate Department Head or his/her designee, using a Petty Cash Request Form, prior to receipt of cash.
Individuals receiving Petty Cash shall immediately return to the Finance Department the receipt, any change due, and sign a verifying receipt of cash.

The Finance Director will delegate the custodian of the Petty Cash, and this individual will be independent of cashiersing and check signing duties.

The Petty Cash Fund will be periodically audited by a person other than the custodian, usually the Finance Director or his/her designee.

F-2 New revenue and expenditure accounts can only be authorized by the Finance Director or his/her designee and will only be set up if it's in the best interest of the accounting system. Finance will limit the number of new accounts.

G. DEBT POLICY

Background

The City of Covington (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt with debt primarily used as a tool to finance large capital investments.

Achieving and maintaining a solid bond rating is an important objective of the City's financial policies. To this end, the City is constantly working to improve its financial policies, budgets, forecasts, and financial health.

Purpose

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Policy is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital needs. All debt issued will be in compliance with this policy, Chapter 35A.40 Revised Code of Washington (RCW) - Fiscal Provisions Applicable to Code Cities and Chapter 43.80 RCW - Fiscal Agencies along with all other City, State, and Federal laws, rules, and regulations.

Scope
This Policy provides general guidance for the issuance and management of all City debt.

**Responsibility**

Authority to issue and manage debt is derived from titles 35 and 35A RCW (including without limitation RCW 35A.40.080-.090, chapter 35.37 RCW and chapter 35.41 RCW). This section gives the Finance Director authority to act in the capacity of City Treasurer, which includes the duties of debt management.

The Finance Director is responsible for assuring that the activities related to the issuance and payment of bonds or other obligations not jeopardize the bond rating.

**G-1 Budgeting and Capital Planning**

The City shall develop and maintain a capital planning process such as the annual Capital Investment Program for consideration and adoption by the City Council as part of the City's budget process. The Finance Department is responsible for coordinating and analyzing the debt requirements. This will include timing of debt, calculation of outstanding debt, debt limitation calculations and compliance, impact on future debt burdens, and current revenue requirements.

Prior to issuance of debt, the City will prepare revenue projections, such as the annual budget or the Financial Forecast, to ensure that there is adequate revenue to make principal and interest payments.

**G-2 Types of Long-Term Debt**

The following is a description of the types of long-term debt the City may issue:

1. General Obligation

   This debt is backed by the full faith and credit of the City. State law limits this debt to 2.5% of the value of taxable property within the City for each of three purposes:

   A. General Purposes

   Debt issued in this category can be used for any purpose allowed by law.

   Non-Voted

   The City Council may authorize the issuance of general obligation debt up to 1.5% of the City's assessed value without a vote of the public as long as there is an available source of funding to pay the debt service. This funding source can be the diversion of an existing revenue source or a new revenue coming from the enactment of a new tax or other revenue source. The debt can take the form of bonds, lease-purchase agreements, conditional sales contracts, certificates of participation, or other forms of installment debt.
Voted

The City Council may place any general obligation debt issue before the electorate. According to State law, if a debt issue is placed before the City’s electorate, it must receive a 60% or greater yes vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only.

B. Open Space and Parks

Debt issued in this category must be used for park and open space and/or recreation facilities. All debt in this category must be approved by the voters, and if so approved, the City is provided with an additional amount of debt capacity up to 2.5% of the value of taxable property within the City.

C. Local Option Capital Asset Lending (LOCAL) Program Debt

The City Council may authorize a financing contract with the Office of the State Treasurer under chapter 39.94 RCW. LOCAL borrowings count against the City’s non-voted debt limit.

2. Revenue Debt

Revenue bonds are generally payable from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to constitutional or statutory debt limitations nor is voter approval required.

3. Local Improvement District (LID) Debt

LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security, and LID bonds are not subject to statutory debt limitations.

The debt is backed by the value of the property within the district and an LID Guaranty Fund. The LID Guaranty Fund is required by State law.

Assessment Debt (LID) is preferred to General Debt to fund improvements that specially benefit specific properties.

G-3 Short-Term Debt and Interim Financing

The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources.
The Finance Director is authorized to make loans from one City fund to another City fund for periods not exceeding three months. The Finance Director or designee is required to assure that the lending fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.

Interim Financing of Major Capital Projects

Interim financing of major capital projects may be arranged by Bond Anticipation Notes (BANS), interfund loans, or lines of credit with a major financial institution.

a. General Guidelines:

1. To the extent possible the City will utilize interfund loans for interim financing of capital projects, either in whole or in part. Interfund loans provide the lowest borrowing cost to the City as the interest expense to the borrowing fund is offset by interest income to the lending fund. Available funds consist of cash, State Investment Pool balances or other relatively liquid investments. The decision to sell long-term investments to provide funds for interfund loans will be made by the City Council based on applicable policies.

2. The decision to use the City's line of credit or the issuance of BANS should employ a cost/cash flow analysis comparing the two financing options. The administrative costs for bond counsel, underwriter and other fees will be taken into account for the costs of BANS. Other factors impacting the decision, such as the capacity of the line of credit, the timing of issuing permanent financing for paying down the line of credit prior to its maturity date, anticipated interest rate changes and arbitrage regulations will also be considered.

b. Line of Credit: If a line of credit is used the following policies will apply:

1. The line of credit is restricted to use for interim financing of capital projects for which long term-bonds are expected to be issued within two years of adoption of the ordinance or for which reimbursable grant monies are expected.

2. Upon sale of bonds for permanent financing of a project or receipt of grant funds, such funds will be used to immediately pay off the amount of the line of credit utilized by each project, including interest charged for use of the line of credit.

3. Each authorization of the line of credit will identify the particular project eligible and contain a specific not-to-exceed amount for each project.
4. Use of the line of credit for normal operating expenditures is prohibited.

5. The outstanding general obligation line of credit amount in conjunction with the City's other general obligations may not at any time exceed the City's statutory debt limit.

c. Bond Anticipation Notes (Bond Anticipation Notes). If BANs are used the following policies will apply:

1. The BANs will have a maximum maturity of two years from their issue date.

2. BANs can only be issued after a formally adopted bond ordinance by City Council.

3. The bond ordinance for the BANs will set a specific principal amount and identify the specific project(s) for which the proceeds are to be used.

4. Bond counsel charges, underwriter fees and other issuance costs may be included and paid from the BAN proceeds.

5. BANs will be subordinate to any outstanding bonds of the City.

d. Tax Anticipation Notes (TANs). If TANs are used the following policies will apply:

1. TANs will be used only where there is a significant misalignment between the timing of City tax receipts and City cash needs.

2. TANs will be structured to conform to federal tax requirements, i.e. no longer than 13 month maturities and state law where they must mature within six months after the end of the fiscal year in which the TANs are issued.

e. Grant Anticipation Notes (GANs) If GANs are used the following policies will apply:

1. GANs will be used only to assist with City cash flow needs on projects and programs where federal and/or state grants have been committed, but where there is a lag between City expenditures and reimbursement but the granting agency.

2. GANs will be structured to conform to federal tax requirements.

f. If an interfund loan is used the following policies will apply.
1. Interfund loans may only be made upon formal adoption of a resolution by the City Council.

2. The resolution for the interfund loan will set forth the term and amount of the loan, a schedule of repayment including interest; and set a current market rate of interest for loans of similar maturity and amount.

3. Interfund loans for interim financing of major capital projects made in anticipation of the issuance of long term bonds shall be repaid in full (including accrued interest) upon receipt of the bond proceeds.

The loaning fund shall have adequate funds to make the loan and to meet its anticipated operating needs over the life of the loan.

G-4 Limitation of Indebtedness

In addition to the limitations required by the RCW, the City’s indebtedness is further limited by this policy to assure strong financial health. The limitations are applied to the assessed value of the City to arrive at a dollar value of indebtedness. For example, the 2005 assessed valuation used to determine the 2006 property tax levy was $1.5 billion, and the statutory limitation for general obligation debt is 2.5%. Therefore, the City’s statutory debt limitation is $37.5 million. The following matrix shows the general limitation by type of debt. These limitations may be modified by the City Council up to the statutory limitation at the Council’s discretion.

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Statutory Limitation</th>
<th>Policy Limitation</th>
<th>2006 Covington Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation:</td>
<td>2.5%</td>
<td>2.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>General Purpose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Voted</td>
<td>1.5%</td>
<td>1.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Voted</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Parks, Open Space and Economic</td>
<td>2.5%</td>
<td>1.75%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>2.5%</td>
<td>1.75%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Revenue

<table>
<thead>
<tr>
<th></th>
<th>no limit</th>
<th>no limit *</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Improvement District</td>
<td>no limit</td>
<td>no-limit *</td>
<td>NA</td>
</tr>
</tbody>
</table>

* Revenue and LID debt is not limited because no taxing power or general fund pledge is provided as security.

G-5 Structure and Term of Debt
1. Debt Repayment

The City shall pay all interest and repay all debt in accordance with the terms of the bond ordinance. The maturity of bonds issued should be the same or less than the expected life of the applicable project for which the bonds were issued. To the extent possible, the City will seek level or declining debt repayment schedules.

2. Variable-Rate Securities

When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. However, other than for short-term lines of credit and BANS, the City will avoid over use of variable-rate debt due to the potential volatility of such instruments.

G-6 Professional Services

The City’s Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City’s debt program.

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt’s federal income tax status and any other components necessary for the proposed debt. The City’s Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City’s debt program.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City’s debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official monthly reporting and other deliverables.
3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

4. Fiscal Agent

A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with Chapter 43.80 RCW, the City will use the Fiscal Agent that is appointed by the State.

G-7 Method of Sale

Presumption of Competitive Sale — The City will generally issue its debt through a competitive process but may use a negotiated process under the following conditions:

- The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.

- At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.

- The nature of the debt is unique and requires particular skills from the underwriter(s) involved.

- The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

Competitive Bid Method — any competitive sale of the City of Covington debt will require approval of the City Council. City of Covington debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost (TIC) to the City. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase the bonds.

Negotiated Bid Method — when deemed appropriate to minimize the costs and risks of the City of Covington's debt issue, the Finance Director will submit to the City Council a request to sell the debt issue on a negotiated basis. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarking fees and commissions.

The City of Covington, with assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers.
The City of Covington shall, with assistance of its Financial Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions;
- The allocation process complies with all Municipal Securities Rulemaking Board regulations governing order priorities and allocations; and
- The lead underwriter shall submit to the Finance Director a complete and timely account of all orders, allocations, and underwriting activities.

The Finance Director shall require a post-sale analysis and reporting for each negotiated bond sale. The independent Financial Advisor shall perform such analysis and provide a final pricing book by the day of the closing. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
- Results of comparable bond sales in the market at the time of the City's pricing;
- Detailed information on a) orders and allocation of bonds, by underwriting firm, b) detailed information on final designations earned by each underwriter, and c) a summary of total compensation received by each underwriter; and
- Historic comparisons to Municipal Market Data indexes — day of sale basis.

No debt issue will be sold on a negotiated basis without an independent Financial Advisor.

**G-8 Credit Ratings**

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.

**G-9 Refunding Debt**

A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will require a present value savings of three percent of the principal amount of the refunding debt being issued.
G-10 Arbitrage Rebate Monitoring and Reporting

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11.

The Finance Director shall, when deemed necessary or when required, procure the services of an arbitrage rebate calculation firm. The purpose of the arbitrage rebate calculation firm is to provide arbitrage rebate compliance services in accordance with the Internal Revenue Code of 1986, as amended (“Code”).

The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

G-11 Covenant Compliance

The City will comply with all covenants stated in the bond ordinance, contract, etc.

G-12 Ongoing Disclosure

The Finance Director shall be responsible for providing annual disclosure information to established national information repositories and for maintaining compliance with disclosure statements as required by state and national regulatory bodies. Disclosure required by the Securities & Exchange Commission shall occur by the date designated in the bond ordinance, which is currently July 31 of each year. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not reasonably contained within the CAFR.

G-13 Structural Elements

Maturity — The City of Covington shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years (RCW 39.46.110).

Debt Service Structure — unless otherwise justified and deemed necessary, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified and deemed necessary, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.

Maturity Structure — the City of Covington’s long-term debt may include serial and term bonds.
Unless otherwise justified, term bonds should be sold with mandatory sinking fund requirements.

Price Structure — the City of Covington’s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given applicable market conditions.

Coupon Type— unless otherwise justified and deemed necessary, long-term debt will be sold using current interest coupons. If justified and deemed necessary, capital appreciation bonds (zero coupon bonds) may be issued.

Redemption Features — for each transaction, the City of Covington shall evaluate the costs and benefits of call provisions.

Bond Insurance — for each transaction, the City of Covington shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City of Covington shall be competitively procured.

Tax-exemption - Unless otherwise justified and deemed necessary, the City of Covington shall issue its debt on a tax-exempt basis.

G-14 Pledge of revenues — The City of Covington’s pledge of revenues shall be determined for each debt issue depending upon the debt instrument:

- **Unlimited Tax General Obligation Bonds**: Unlimited Tax General Obligation Bonds of the City of Covington shall be repaid from voter-approved excess property taxes on property within the jurisdiction of the City of Covington.
- **Limited Tax General Obligation Bonds**: Limited Tax General Obligation Bonds of the City of Covington shall be repaid from regular property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources such as sales tax, real estate excise tax, or reserve funds.
- **Revenue Bonds**: Revenue Bonds of the City of Covington shall be repaid from specified revenues, as defined in the authorizing ordinance.
- **Special Assessment Bonds**: Special Assessment Bonds of the City of Covington shall be repaid from assessments collected from within a special assessment district formed by the City of Covington pursuant to applicable law.
- **Local Option Capital Asset Lending (LOCAL) Program Debt**: (LOCAL) Program Debt of the City of Covington shall be repaid from property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources.
- **Other Debt Instruments [if applicable]**: Other Debt Instruments of the City of Covington shall be repaid from revenues, as defined in the authorizing ordinance.

G-15 Rating Agencies

The Finance Department shall manage relationships with the rating analysts assigned to the City.
of Covington’s credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:

- Full disclosure, on an annual basis, of the financial condition of the City of Covington;
- A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the City of Covington’s credit;
- Timely disclosure of any financial events that may impact the City of Covington’s credit;
- Timely dissemination of the Annual Financial Report, following its completion; and
- Complete and timely distribution of any documents pertaining to the sale of bonds.

Credit Objective - The City of Covington shall seek to maintain and improve its credit rating.

Bond Insurers

The Finance Director shall manage relationships with the analysts at the bond insurers assigned to the City of Covington’s credit, using both informal and formal methods to disseminate information.

G-16 Investment of Proceeds

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

Refunding Escrow – Unless otherwise justified and deemed necessary City of Covington shall utilize State and Local Government Series (SLGS) for the refunding escrow. SLGS are special series of U.S. Treasury securities.

If open markets securities are deemed appropriate the City of Covington shall in consultation with bond counsel comply with each of the following:

a) Make a bona fide solicitation for securities and, of the bids received, at least three are bona fide bids from sellers that have no involvement in the pricing of the issue; and

b) Purchase securities from the bidder which made the highest yielding bid and such securities have a yield at least as high as such bid.

G-17 Bond Users Clearinghouse

The City of Covington shall ensure that the Bond Users Clearinghouse receives municipal bond
information for all debt sold as provided by Chapters 39.44.200 through 39.44.240 RCW and Chapter 365-130 WAG. The information requested by RCW 39.44.210 includes but is not limited to:

- the par value of the bond issue;
- the effective interest rates;
- a schedule of maturities;
- the purposes of the bond issue;
- cost of issuance information; and
- the type of bonds that are issued.

G-18 Legal Covenants

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

G-19 Refunding Savings Thresholds

Refundings will be conducted in accordance with the Refunding Bond Act, chapter 3953 RCW. Unless otherwise justified, City of Covington will refinance debt to achieve true savings as market opportunities arise.

Unless otherwise justified, an “advance refunding” transaction will require a present value savings of five percent of the principal amount of the refunding debt being issued.

Unless otherwise justified, a “current refunding” transaction will require graduated present value savings as follows:

<table>
<thead>
<tr>
<th>Years Between Call and Final Redemption</th>
<th>Present Value Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 years</td>
<td>1%</td>
</tr>
<tr>
<td>3-4 years</td>
<td>2%</td>
</tr>
<tr>
<td>5-6 years</td>
<td>3%</td>
</tr>
<tr>
<td>7-8 years</td>
<td>4%</td>
</tr>
<tr>
<td>9+ years</td>
<td>5%</td>
</tr>
</tbody>
</table>
Selection of maturities to be refunded — unless otherwise justified, all callable maturities of an issue will be included in a refunding.

G-20 Derivative Products

No derivative products will be utilized unless permitted by law, and not without prior City Council approval. No derivative products shall be utilized without an analysis by an independent financial advisor. No derivative products shall be used for the purpose of interest rate speculation.

G-21 Alternative Financings Schemes

The City of Covington shall not utilize alternative financing schemes to avoid restrictions imposed by law or to utilize tax loop-holes.

G-22 Evaluating Capital Improvement Program Spending

The City of Covington shall integrate its debt issuance with its Capital Improvement Program spending.

G-23 Modeling the Impact of Capital Program Needs

The City of Covington shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Finance Department shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows for capital and operating expenditures;
- Historic and projected fund balances;
- Historic and projected debt service coverage; and
- Projected revenue requirements.

G-24 Debt Database Management

The City of Covington shall maintain complete information on its outstanding debt portfolio, in a database format. The information in the database shall include, but not be limited to, the following:

- Issue Name
✓ Initial Par Amount of the Issue
✓ Dated Date and Sale Date of the Issue
✓ Purpose of the Issue
✓ Security Type (Fixed or Variable) of the Issue
✓ Issue Type (New Money or Refunding) of the Issue
✓ Sale type (Competitive or Negotiated) of the Issue
✓ TIC, Arbitrage Yield, Avg. Life, and Underwriters Discount of the Issue
✓ Underwriter(s) of the Issue
✓ Principal Amounts by Maturity
✓ Principal Amounts Outstanding by Maturity
✓ Coupon Rate and Coupon Type (Current Interest or Zeros) by Maturity
✓ Original Yield and Original Price by Maturity
✓ Interest Payment Frequency by Maturity
✓ First Interest Payment Date by Maturity
✓ Call Provisions by Maturity
✓ Sinking Provisions by Maturity
✓ Credit Enhancement, if any, by Maturity

The City of Covington shall use the debt database for the following purposes:

✓ Generate reports;
✓ Refunding Analyses; and
✓ Output to Fund Accounting System.

G-25 Accounting for the Issuance of Debt

The City of Covington shall account for the issuance of debt using general accepted accounting principals (“GAAP”) as established by the Governmental Accounting Standards Board (“GASB”). Cost of issuance shall be reported as an expenditure rather than netted against proceeds.

G-26 Debt Policy Review

The City of Covington shall review and update its debt policy every four years.

H. INVESTMENT

H–1 The City's primary objective is to manage its total cash and cash equivalent assets in a manner that conforms completely to the constraints of this policy while maximizing the interest earnings of
the portfolio. This will be done in a manner that supports the government's primary purpose of providing services to its citizens.

The primary purpose in determining a strategy for the City of Covington’s investment activities is as follows:

**Legality:** The City's investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington, the BARS manual, this investment policy and corresponding administrative procedures.

**Safety:** Safety of principal is of primary importance to the City. Investments of the City will be undertaken in a manner that seeks to guard the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.

**Liquidity:** The City's investments will remain sufficiently liquid to facilitate the City's need to meet all operating and debt requirements which might be reasonably anticipated.

**Yield:** The City's investments will be established with the objective of achieving a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics of the portfolio.

The City has also determined to limit investment purchases to the following investment types, which the City has determined best meet their overall investment strategy. This authorization applies to all City funds.

a.) Investment deposits, including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.

b.) Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association). However, this authorization will specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm.

c.) Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)

e.) Bonds of the State of Washington and any local government in the State provided they carry a current debt rating in the top three categories of a nationally recognized rating agency at the time of investment.

f.) General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

g.) Prime Banker’s Acceptances purchased on the secondary market with ratings of A1/P1 by a nationally recognized rating agency.

h.) Repurchase agreements for securities listed above, provided that the transaction is structured so that the City of Covington obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer. Collateralization will be required on all repurchase agreements at a level of 102% of the market value of principal and accrued interest. This is to anticipate any market changes and to provide an adequate level of security for all funds. Collateral is limited to the types of investments detailed in this section.

H–3 The Finance Director will consider all investments as common investments whose ownership is derived from each participating fund. Interest earned by the common investment portfolio will be applied in its entirety to each participating fund on the basis of its available cash balance. Unless specified by the Finance Director, all cash and cash equivalent assets of every fund will be considered available for investment. The only exception to the common investment portfolio will be investments made from the proceeds of bond sales and only to the extent necessary to provide a separate accounting of investment activity.

H–4 Funds set aside to satisfy City debt in conjunction with an advance refunding agreement will be invested in accordance with appropriate bond documents and not necessarily in compliance with this policy. If bond covenants are more restrictive than this policy, funds will be invested in full compliance with those additional restrictions.

H–5 All investments of the City of Covington shall be made in compliance with Federal and State law and in accordance with those legal interpretations that apply. The investment of any tax-exempt borrowing proceeds and of any debt service funds shall comply with the 1986 Tax Reform Act if that Act applies to the debt issued.

H–6 The Finance Director is the investment officer of the City. The Finance Director will develop written procedures for the operation of the investment program consistent with this investment policy and approved by the City Manager. These procedures will include a detailed delegation of authority to persons responsible for investment transactions. The Finance Director will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate employees. The Finance Director will ensure a periodic independent annual review of investment activities and internal controls are performed by the external-auditing agency.
H–7 The City Manager will provide investment oversight to the Finance Director. The Finance Director will report investment activity monthly to the City Manager and semi-annually to the City Council. The City Council will amend the Investment Policy, as needed, by Resolution.

H–8 Investments will be made with judgment and care, in consideration of the circumstances then prevailing, which person(s) of prudence, discretion and intelligence would exercise in the management of their own affairs for investment purposes, not for speculation, taking into account the probable safety of their capital as well as the probable income expected to be derived.

H–9 Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the City Council any substantive financial interest in financial institutions that conduct business within this jurisdiction. They will also disclose any material personal financial or investment positions that could be related to the performance of the City's portfolio. Employees and Officers will subordinate their personal investment transactions to those of the City of Covington, particularly in regard to the timing of purchases and sales.

H–10 The Finance Director will conduct investment transactions with several competing, reputable investment securities broker/dealers. A list will be maintained of approved security broker/dealers selected for their credit worthiness, industry reputation, knowledge of public sector investment practices, and who maintain an office in the State of Washington. The Finance Director has the authority to remove any broker/dealer from the list, with or without cause by written notice. Broker/dealers may appeal the Finance Director’s action by written appeal to the City Manager.

H–11 The Finance Director will maintain a list of financial institutions as required by the Public Deposit Commission (PDC), authorized to provide investment services as outlined in R.C.W. 39.58.080.

H–12 All investment securities bought by the City, including collateral being held on repurchase agreements, will be held by the City or in safekeeping for the City by the City's custodian bank. A third party bank trust department may be appointed as agent for the City under the terms of a custody or trustee agreement signed by both the bank and the City. The primary agent of the custodian bank will provide a safekeeping receipt to the City listing the specific instrument, its rate and maturity, and any other pertinent information. All security transactions, including collateral for repurchase agreements, entered into by the City of Covington will be conducted on a delivery-versus-payment (DVP) basis.

H–13 Repurchase Agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping service is first obtained. This agreement shall very clearly establish that the bank/trust is acting as a third party agent for the Finance Director, not the broker/dealer arranging the repurchase agreements. Such third party safekeeping arrangements will be documented with a signed agreement between the Finance Director and the bank/trust involved assuring that the Finance Director has absolute control over the securities once they are delivered to safekeeping and that the dealer does not have access to them under any circumstances.
H–14 Investment officials will be bonded to provide protection to the City against loss due to possible embezzlement or malfeasance.

H–15 The City will assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and the State Investment Pool, the City will invest no more than twenty-five percent (25%) of its total investment portfolio in a single security type or with a single financial institution.

H–16 To the degree possible, the City will attempt to match its investments with anticipated cash flow requirements. Liquidity should be ensured through practices that include covering the next vendor disbursement and payroll dates through maturing investments. Unless specifically matched to a certain cash flow, or estimated to meet cash flow needs, the City will not directly invest in securities maturing more than five three (53) years from the date of purchase.

H–17 The City of Covington's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The City will report investment yield benchmarked to the yield of the six-month Treasury Bill and/or the Average Fed Funds rate and/or the return provided by the State Investment Pool as needed.

H–18 The Finance Director will actively manage daily cash to the extent that transaction costs do not overcome interest earnings. The goal is to have ninety percent of the city’s entire cash and cash equivalent assets invested.

I. INTERGOVERNMENTAL REVENUES AND RELATIONS POLICIES

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City shall take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

I–1 The City will refrain from using grants to meet ongoing service delivery needs. In the City’s financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs.

I–2 All grant agreements will be reviewed to ensure compliance with state, federal, and City regulations.

I–3 The City will budget expenditures for grant-funded programs only after a grant award or letter of commitment, and only for the amount of grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.
I–4 The City will aggressively oppose state or federal actions that mandate expenditures which the City Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

I–5. The City will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. All intergovernmental agreements and contracts for service delivery will be brought forward to the City Council for approval.

I–6. Capital grants with local matching requirements can only be accepted for with the express approval of the City Council regardless if indicated in the Capital Investment Program.

J. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's partners and investors that the City is well managed and fiscally sound.

J–1 The City will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state’s budget laws and regulations. The City will report its financial condition and results of operations in accordance with state regulations and generally accepted accounting principles applicable to governments.

J–2 The State Auditor will annually perform a financial and compliance audit of the City's financial statements. Their opinions will be contained in the City’s Comprehensive Annual Financial Report (CAFR) and the Report on Compliance with the Single Audit Act of 1984 (if required).

J–3 The City will minimize the number of funds. The funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes.

J–4 Excellence in Financial Reporting: As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The CAFR will be presented in a way designed to communicate with citizens about the financial affairs of the City.

J–5 Quarterly financial reports, including a review of budgeted expenditures and revenues, will be prepared and reported to the Council during regular meetings.

J–6 The city shall maintain an audit committee as established per CMC 3.25.70.

K. FIXED ASSETS
K–1 Fixed assets are defined as land, buildings, equipment, and improvements to existing assets costing more than $5,000 and having a useful life in excess of one year. Assets with a value or cost under $5,000 are to be expensed in the year of acquisition.

K–2 Costs associated with remodeling or changes to the City’s buildings will not be capitalized unless the useful life of the structure is extended.

K–3 Enhancements or additions to equipment will be capitalized only if the cost or value is $1,000 or more and the useful life is extended.

K–4 Additions to City-acquired vehicles will be capitalized only if the item is to remain with the vehicle upon disposal.

K–5 Each department director is responsible for notifying Finance in writing of all assets sold, traded, transferred, and surplused or lost at the time of the occurrence.

K–6 All assets that can be labeled will have a numbered City of Covington tag attached in a prominent, convenient location. Assets of a lesser value than the capitalization standard of $5,000, may be tagged where there is a need for property control and accountability. Finance will supply the tags which will be attached by the department receiving the assets.

K–7 All assets, regardless of value or capitalization, are the department director’s responsibility with regard to tracking, inventory, and safekeeping. Finance is responsible for keeping and updating the fixed asset database.

K–8 The Finance Director may administratively surplus office equipment, computer equipment, small tools, computer software, minor equipment, and police weapons with a value of less than or equal to $5,000. Titled vehicles, real property, and any City property with a value of greater than $5,000 will be surplused by City Council resolution.

K–9 All property with an expected value greater than the cost to surplus will be offered through a competitive process, in which at least three interested parties are notified. Property where the expected value is less than the cost to surplus may be destroyed or donated to another governmental agency or local community non-profit. The City may elect to partner with another City’s annual auction to save on costs and resources.

K–10 The Finance Director will have oversight for the accounting of all surplus property transactions. In cases of administrative surpluses, the Finance Director will record property description, estimated value, number of bidders, and the lowest-highest bid range for accounting and auditing purposes.

K–11 The Public Works Director shall manage the GASB-34 infrastructure inventory providing the Finance Department with annual reports as required.
The City shall develop and maintain a six-year Financial Forecast that estimates resource and expenditure behavior for five years beyond the current budget period. This forecast will provide the City’s decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City’s resources. To this end, the Forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning should ensure the delivery of needed services (many of which become more critical during economic downturns) by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

**KM–1 Operational and Capital Funds:**

a. The Finance Department will prepare and maintain a Financial Forecast for Operational and Capital Funds based on current service levels and current funding sources. This forecast will include the upcoming year as well as five years beyond the current period (a total of six forecast years). This future-oriented look will provide insight into whether the current mix and level of resources are likely to continue to be sufficient to cover current service levels. The forecast also allows staff and City Council to test various “what-if” scenarios and examine the fiscal impact on future budget cycles.

b. The City will periodically test both its planning methodology and use of planning tools in order to provide information that is timely, accurate, and widely disseminated to users throughout the City.

c. Departments will forecast and monitor their respective revenues and expenditures with assistance from the Finance Department. The Finance Department will assist departments in developing appropriate systems for such monitoring and will retain overall fiscal oversight responsibility for all funds, the General Fund.

**KM–2 Contingencies—**

a. Expenditure estimates should anticipate contingencies that are reasonably predictable and also differentiate between ongoing expenditures and those that are one-time activities.

*Other policies listed under separate cover:*

1. Capital Asset Policies and Procedures
2. Purchasing Policies and Procedures
3. Equipment Rental Fund Policies
4. Travel Expense Policy
5. Fund Balance
6. Use of City Credit Cards
7. Cash Receipting and Cash Handling Procedures
RESOLUTION NO. 11-12

A RESOLUTION OF THE CITY OF COVINGTON, WASHINGTON, REPEALING RESOLUTION 07-11, AND ADOPTING NEW FINANCIAL MANAGEMENT POLICIES.

WHEREAS, the Covington City Council has determined the establishment of Financial Management Policies for the city is a prudent and beneficial undertaking; and

WHEREAS, the City Council believes that these policies should be more comprehensive and include an expanded ending fund balance and capital asset policies and procedures; and

WHEREAS, the policies referenced in Exhibit A of Resolution 07-11 have been included in the new expanded Financial Management Policies therefore Resolution 07-11 should be repealed; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, AS FOLLOWS:

Section 1. Repealer. The Covington City Council does hereby repeal Resolution No. 07-11 relating to financial management policies.


Section 3. Effective Date. This resolution shall take effect immediately upon adoption by the council.

PASSED in open and regular session on this December 13th, 2011.

MARGARET BARTO
MAYOR

ATTEST:

Mzu
Sharon Scott, City Clerk

APPROVED AS TO FORM:

Sara Springer, City Attorney
Purpose

Good stewardship of public funds and assets is the hallmark of sound financial policies. The following policies provide the guidelines necessary to stay in legal compliance and meet the needs of the community both now and in the future.

A. GENERAL BUDGET POLICIES

A-1 Department directors have primary responsibility for formulating budget proposals in line with City Council and City Manager priority direction, and for implementing, monitoring, and reporting them once they are approved.

A-2 The Finance Department is responsible for coordinating the overall preparation and administration of the City's budget and Capital Investment Program Plan. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices.

A-3 The Finance Department assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

A-4 The City Council shall adopt the budget by ordinance at the fund level.

A-5 Interfund charges will be based on recovery of the direct costs associated with providing those services.

A-6 Regular employee positions will normally be budgeted only in the City's operating funds.

A-7 Quarterly financial reports, including a review of budgeted expenditures and revenues, will be prepared and reported to the Council at regular meetings. Included will be provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes. Budget adjustments requiring City Council approval will occur through a process coordinated by the Finance Department and will occur prior to fiscal year end.

A-8 The Finance Department will review agenda items with potential fiscal impact submitted for City Council action. The objective of these reviews will be to ensure compliance with the budget and disclosure of all fiscal issues to the Council. This information will be presented in the fiscal impact section of each agenda bill.

A-9 Revenues derived from fees associated with development will be designated for the support of the development activities in the Development Services Fund.

A-10 The City's budget presentation will be directed at displaying the City's services plan in a Council/constituent-friendly format.
A-11 Fund Balance - See most recently adopted City of Covington Fund Balance Policy.

a. It is essential that the City maintain adequate levels of unreserved fund balances to mitigate current and future risks and to ensure stable tax rates. As such, unreserved ending fund balances, excluding contingency and cumulative reserve funds, for the operating funds (General, Parks, Street, and Surface Water Management) will be required to have a minimum of 10% of operating expenditures in unreserved ending fund balances. All other funds, such as Ovoloan Services and Capital Investment, will be required to have a 15%-minimum unreserved ending fund balance of expenditures.

b. It is the City's policy to maintain a Contingency Fund in accordance with RCW 35A.33.145. The reserve will be available for unforeseen, urgent, or emergency needs. The contingency reserve is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. The maximum allowable in the contingency reserve is 37.5 cents per thousand dollars of assessed valuation.

c. It is the City's policy to maintain a Cumulative Reserve Fund in accordance with RCW 35.21.070.

A-12 The City will maintain equipment replacement funds that will receive annually budgeted contributions from the operating expenses of departments owning the capital equipment in an amount necessary to replace the equipment at the end of its useful life. Life cycle assumptions and required contributions will be reviewed annually as part of the budget process. Monies collected from the sale of assets carried on the equipment replacement schedules will be receipted to equipment replacement funds. (See most recently adopted City of Covington Equipment Replacement Fund Policies and Procedures.)

A-13 Interfund loans will be permissible if practical. Interest rates will be computed based on a rolling 12-month average of the State Investment Pool earnings rate.

B. REVENUE POLICIES

The City shall be sensitive to the balance between the need for services and the City's ability to raise fees, charges, and taxes to support those services.

B-1 The City should strive to maintain a diversified mix of revenues in order to maintain needed services during periods of declining economic activity.

a. A base of property taxes and other stable revenues should be developed and maintained to provide a reliable base of revenues during periods of economic downturn.

b. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development investments.

B-2 The following factors will be considered when the City's taxes are increased, extended, changed, or reduced:

a. Stability of the tax source over its expected life.

b. Suitability for a pledge against future debt, if that is part of the City Council's long-range intent for the new tax.

c. Spread the tax burden throughout the City's tax base by utilizing a broad array of the tax sources available and by investigating mitigation of inequities and hardships where
appropriate (e.g., property tax rebates for low-income elderly). Legislative remedies for harmful tax impacts should be sought where appropriate.

d. Apply the tax impact information for both residential and business taxpayers against a future vision of what the tax policy decision is intended to foster, in addition to the raising of revenues.

B-3 As much as is reasonably possible, City services that provide private benefit should be supported by fees and charges in order to provide maximum flexibility in use of general City taxes to meet the cost of services of broader public benefit. Charges for services that benefit specific users should be fully recovered, including all direct and indirect costs including but not limited to, capital costs, department overhead, and Citywide overhead. Departments that impose fees or service charges should prepare and periodically update cost-of-service studies for such service. When consistent with legal requirements, other City interests such as remaining competitive within the region or meeting other City objectives, may dictate a subsidy of a portion of the costs of such services.

B-4 Sales tax revenues are designed to support general government operations. As such, they will be allocated between the General Fund and the Parks Fund at a level to be determined during each budget cycle.

B-5 All regular property tax revenues will be allocated to support General Fund services unless there is a ballot measure approved by the voters that directs a certain amount of the property tax capacity be used for other City services.

B-6 Revenue estimates should be prepared on a conservative basis to minimize the economic fluctuations that could imperil ongoing service programs during the upcoming budget cycle. Revenue increases greater than inflation will require additional documentation. Major revenue sources will require explanation.

B-7 The Surface Water Management Fund will be reviewed annually and it must have a rate structure adequate to meet its operations and maintenance and long-term capital requirements.

B-8 Rate increases should be small and applied frequently to avoid an overly burdensome future increase.

C. OPERATING POLICIES

C-1 Ongoing resources should be equal to or exceed ongoing expenditures. Each City fund budget shall identify ongoing resources that at least match expected ongoing annual requirements. One-time cash transfers and non-recurring ending fund balances will be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.

C-2 Unless otherwise stated explicitly by the City Council, the City will not earmark unrestricted revenues for specific purposes in the General Fund. This will preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.

C-3 The City will seek to optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.

C-4 Accurate inventories of all physical assets, their condition, life span, and cost will be maintained. (See most recently adopted refer to section K—Fixed AssetsCity of Covington Capital Asset Policies and Procedures)

C-5 The Finance Department 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. All cash received by City departments will be deposited the same business day. The Finance Director has oversight and final authority over cash handling policies and procedures.
D. PURCHASING AND EXPENDITURE CONTROL

D-1 It is the general policy of the City that all expenditures be rationally related to some public purpose and is reasonable in the amount and nature.

D-2 Primary responsibility and authority for the expenditure of monies according to the adopted budget will be vested by the City Manager in the department heads.

D-3 In addition to the primary responsibilities in Policy A-1, the Finance Director will exercise a secondary oversight responsibility for ALL budget expenditures. This includes responsibility for both technical errors and errors of judgment, which should be brought immediately to the attention of the responsible department head and the City Manager. However, unilateral changes may be made in line item expenditures by the Finance Director if deemed necessary in order to expedite the accounts payable process.

D-4 All purchase orders and/or invoices will be signed by the responsible department head or his/her designee (or City Manager), and reviewed by the appropriate personnel in Finance for budget authority and proper coding.

D-5 Invoices for the costs of public utilities, telephone, postage, copy machine expenses, and others shared by more than one department will be reviewed and approved by the Finance Director or his/her designee.

D-6 All expenditures/expenses shall be pre-audited and certified by the Finance Director or his/her designee prior to submitting them to the City Council.

D-7 The accounts payable process will occur every other week opposite payroll. City Council approval will occur at the following Council meeting. The execution of checks in advance of City Council approval will occur under the following condition:

Members of the City Council's Finance Committee will review and approve the supporting documentation of such disbursement before the next regularly scheduled meeting.

If the City Council at the subsequent Council meeting (after review), disapproves any such checks, the disapproved claims will be recognized as a receivable of the City and collections of said receivable will be diligently pursued until the amounts disapproved are collected or until the Council is satisfied and approves the claims.

D-8 All significant purchases should be made only after an effort to compare prices and alternatives from more than one vendor (see Resolution 06-36).

D-9 Credit cards may be issued to the City Manager, Department Heads, and employees for travel and other business related expenses. (see Ordinance 03-06)

D-10 Non-employees such as volunteers are required to get prior authorization from staff before making purchases.

E. CONTRACT MANAGEMENT

E-1 When a project is presented to the Council for consideration, a preliminary budget estimate will be included. This estimate will show separate costs for the various phases of the project, including preliminary design, construction, and administration costs. Preliminary budget estimates may also provide for additional contract cost contingencies with the amount dependent upon the type of project and degree of uncertainties. When the Council approves a project they are also authorizing the budget in each contract category including the contingencies budget.
E-2 Prior to formal bidding for construction services, an engineer's estimate will be approved by the Council. Once the bids are opened, a revised budget may be brought back to the Council for approval, with the request to award the bid. When the Council awards the bid, it will also approve a revised budget or confirm the original budget as it finds to be in the best interest of the City.

E-3 When awarding professional service contracts the Council will authorize the City Manager to enter into a contract for a written scope-of-work on a cost plus basis with a stated "not-to-exceed" contract total cost. The dollar total will be broken down by major tasks, including a contingency budget if necessary.

E-4 The City will comply with RCW 39.80.010 when negotiating contracts for architectural and engineering services.

E-5 Professional service contracts may be authorized with a single consultant for several phases of work on the same project. The contract may be approved by Council, and subsequent phases may be authorized by the Council in the form of contract amendments.

E-6 The Public Works Director will have the authority to authorize payments up to the total contract only. If the scope-of-work does not change and the total cost is not violated, different amounts may be spent among the tasks within project budget categories. Changes in either the scope-of-work or the authorized budget shall be approved by the City Council as an amendment to the original contract.

E-7 After the award of contract only the City Manager or his/her designee will have the authority to approve change orders per the purchasing policy. The process for handling change orders will be spelled out in the construction contract.

E-8 The City Manager will report all change orders to the City Council including the dollar amount.

E-9 Any proposed change orders that exceed the budget amount will be submitted to Council for approval.

E-10 All contract and lease agreements will be reviewed by the Finance Director and City Attorney prior to final approval.

F. GENERAL LEDGER ACCOUNTS

F-1 A Petty Cash Fund is hereby authorized from the General Fund in the amount of $800,600 for minor disbursements. It will be periodically restored by a check drawn and charged to applicable accounts. The amount of the check should equal the aggregate of the disbursements.

Petty Cash purchases are limited to expenditures of $50 or less, and shall be approved by the appropriate Department Head or his/her designee, using a Petty Cash Request Form, prior to receipt of cash.

Individuals receiving Petty Cash shall immediately return to the Finance Department the receipt, any change due, and sign a verifying receipt of cash.

The Finance Director will delegate the custodian of the Petty Cash, and this individual will be independent of cashiering and check signing duties.

The Petty Cash Fund will be periodically audited by a person other than the custodian, usually the Finance Director or his/her designee.

F-2 New revenue and expenditure accounts can only be authorized by the Finance Director or his/her designee and will only be set up if it's in the best interest of the accounting system. Finance will limit the number of new accounts.
G. DEBT POLICY

Background

The City of Covington (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt with debt primarily used as a tool to finance large capital investments.

Achieving and maintaining a solid bond rating is an important objective of the City's financial policies. To this end, the City is constantly working to improve its financial policies, budgets, forecasts, and financial health.

Purpose

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Policy is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital needs. All debt issued will be in compliance with this policy, Chapter 35A.40 Revised Code of Washington (RCW) - Fiscal Provisions Applicable to Code Cities and Chapter 43.80 RCW - Fiscal Agencies along with all other City, State, and Federal laws, rules, and regulations.

Scope

This Policy provides general guidance for the issuance and management of all City debt.

Responsibility

Authority to issue and manage debt is derived from titles 35 and 35A RCW (including without limitation RCW 35A.40.080-.090, chapter 35.37 RCW and chapter 35.41 RCW). This section gives the Finance Director authority to act in the capacity of City Treasurer, which includes the duties of debt management.

The Finance Director is responsible for assuring that the activities related to the issuance and payment of bonds or other obligations not jeopardize the bond rating.

G-1 Budgeting and Capital Planning

The City shall develop and maintain a capital planning process such as the annual Capital Investment Program for consideration and adoption by the City Council as part of the City's budget process. The Finance Department is responsible for coordinating and analyzing the debt requirements. This will include timing of debt, calculation of outstanding debt, debt limitation calculations and compliance, impact on future debt burdens, and current revenue requirements.

Prior to issuance of debt, the City will prepare revenue projections, such as the annual budget or the Financial Forecast, to ensure that there is adequate revenue to make principal and interest payments.

G-2 Types of Long-Term Debt

The following is a description of the types of long-term debt the City may issue:

1. General Obligation

This debt is backed by the full faith and credit of the City. State law limits this debt to 2.5% of the value of taxable property within the City for each of three purposes:
A. General Purposes
Debt issued in this category can be used for any purpose allowed by law.

Non-Voted
The City Council may authorize the issuance of general obligation debt up to 1.5% of the City's assessed value without a vote of the public as long as there is an available source of funding to pay the debt service. This funding source can be the diversion of an existing revenue source or a new revenue coming from the enactment of a new tax or other revenue source. The debt can take the form of bonds, lease-purchase agreements, conditional sales contracts, certificates of participation, or other forms of installment debt.

Voted
The City Council may place any general obligation debt issue before the electorate. According to State law, if a debt issue is placed before the City's electorate, it must receive a 60% or greater yes vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only.

B. Open Space and Parks
Debt issued in this category must be used for park and open space and/or recreation facilities. All debt in this category must be approved by the voters, and if so approved, the City is provided with an additional amount of debt capacity up to 2.5% of the value of taxable property within the City.

C. Local Option Capital Asset Lending (LOCAL) Program Debt
The City Council may authorize a financing contract with the Office of the State Treasurer under chapter 39.94 RCW. LOCAL borrowings count against the City's non-voted debt limit.

2. Revenue Debt
Revenue bonds are generally payable from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to constitutional or statutory debt limitations nor is voter approval required.

3. Local Improvement District (LID) Debt
LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security, and LID bonds are not subject to statutory debt limitations.

The debt is backed by the value of the property within the district and an LID Guaranty Fund. The LID Guaranty Fund is required by State law.

Assessment Debt (LID) is preferred to General Debt to fund improvements that specially benefit specific properties.

G-3 Short-Term Debt and Interim Financing
The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources.

The Finance Director is authorized to make loans from one City fund to another City fund for periods not exceeding three months. The Finance Director or designee is required to assure that the lending fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.
Interim Financing of Major Capital Projects

Interim financing of major capital projects may be arranged by Bond Anticipation Notes (BANS), interfund loans, or lines of credit with a major financial institution.

a. General Guidelines:

1. To the extent possible the City will utilize interfund loans for interim financing of capital projects, either in whole or in part. Interfund loans provide the lowest borrowing cost to the City as the interest expense to the borrowing fund is offset by interest income to the lending fund. Available funds consist of cash, State Investment Pool balances or other relatively liquid investments. The decision to sell long-term investments to provide funds for interfund loans will be made by the City Council based on applicable policies.

2. The decision to use the City's line of credit or the issuance of BANS should employ a cost/cash flow analysis comparing the two financing options. The administrative costs for bond counsel, underwriter and other fees will be taken into account for the costs of BANS. Other factors impacting the decision, such as the capacity of the line of credit, the timing of issuing permanent financing for paying down the line of credit prior to its maturity date, anticipated interest rate changes and arbitrage regulations will also be considered.

b. Line of Credit: If a line of credit is used the following policies will apply:

1. The line of credit is restricted to use for interim financing of capital projects for which long term-bonds are expected to be issued within two years of adoption of the ordinance or for which reimbursable grant monies are expected.

2. Upon sale of bonds for permanent financing of a project or receipt of grant funds, such funds will be used to immediately pay off the amount of the line of credit utilized by each project, including interest charged for use of the line of credit.

3. Each authorization of the line of credit will identify the particular project eligible and contain a specific not-to-exceed amount for each project.

4. Use of the line of credit for normal operating expenditures is prohibited.

5. The outstanding general obligation line of credit amount in conjunction with the City's other general obligations may not at anytime exceed the City's statutory debt limit.

c. Bond Anticipation Notes (Bond Anticipation Notes): If BANs are used the following policies will apply:

1. The BANs will have a maximum maturity of two years from their issue date.

2. BANs can only be issued after a formally adopted bond ordinance by City Council.

3. The bond ordinance for the BANs will set a specific principal amount and identify the specific project(s) for which the proceeds are to be used.

4. Bond counsel charges, underwriter fees and other issuance costs may be included and paid from the BAN proceeds.

5. BANs will be subordinate to any outstanding bonds of the City.

d. Tax Anticipation Notes (TANs): If TANs are used the following policies will apply:
1. TANs will be used only where there is a significant misalignment between the timing of City tax receipts and City cash needs.

2. TANs will be structured to conform to federal tax requirements, i.e. no longer than 13 month maturities and state law where they must mature within six months after the end of the fiscal year in which the TANs are issued.

e. Grant Anticipation Notes (GANs) If GANs are used the following policies will apply:

1. GANs will be used only to assist with City cash flow needs on projects and programs where federal and/or state grants have been committed, but where there is a lag between City expenditures and reimbursement but the granting agency.

2. GANs will be structured to conform to federal tax requirements.

f. If an interfund loan is used the following policies will apply.

1. Interfund loans may only be made upon formal adoption of a resolution by the City Council.

2. The resolution for the interfund loan will set forth the term and amount of the loan, a schedule of repayment including interest; and set a current market rate of interest for loans of similar maturity and amount.

3. Interfund loans for interim financing of major capital projects made in anticipation of the issuance of long term bonds shall be repaid in full (including accrued interest) upon receipt of the bond proceeds.

The loaning fund shall have adequate funds to make the loan and to meet its anticipated operating needs over the life of the loan.

G-4 Limitation of Indebtedness

In addition to the limitations required by the RCW, the City's indebtedness is further limited by this policy to assure strong financial health. The limitations are applied to the assessed value of the City to arrive at a dollar value of indebtedness. For example, the 2005 assessed valuation used to determine the 2006 property tax levy was $1.5 billion, and the statutory limitation for general obligation debt is 2.5%. Therefore, the City's statutory debt limitation is $37.5 million. The following matrix shows the general limitation by type of debt. These limitations may be modified by the City Council up to the statutory limitation at the Council's discretion.

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Statutory Limitations</th>
<th>Policy Limitations</th>
<th>2006 Covington Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation 2.5%</td>
<td>2.5%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>General Purpose 1.5%</td>
<td>1.5%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Non-Voted 1.0%</td>
<td>1.00%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Voted</td>
<td>1.75%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Parks, Open Space and Economic Development 2.5%</td>
<td>1.75%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Utilities 2.5%</td>
<td>1.75%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Revenue 2.5%</td>
<td>no limit</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Local Improvement District no limit</td>
<td>no limit</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>
* Revenue and LID debt is not limited because no taxing power or general fund pledge is provided as
Structure and Term of Debt

1. Debt Repayment

The City shall pay all interest and repay all debt in accordance with the terms of the bond ordinance. The maturity of bonds issued should be the same or less than the expected life of the applicable project for which the bonds were issued. To the extent possible, the City will seek level or declining debt repayment schedules.

2. Variable-Rate Securities

When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. However, other than for short-term lines of credit and BANS, the City will avoid over use of variable-rate debt due to the potential volatility of such instruments.

Professional Services

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt. The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.

3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

4. Fiscal Agent

A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with Chapter 43.80 RCW, the City will use the Fiscal Agent that is appointed by the State.

Method of Sale

Presumption of Competitive Sale - The City will generally issue its debt through a competitive process but may use a negotiated process under the following conditions:

• The bond issue is, or contains, a refinancing that is dependent on market interest rate timing.

• At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
• The nature of the debt is unique and requires particular skills from the underwriter(s) involved.

• The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

Competitive Bid Method - any competitive sale of the City of Covington debt will require approval of the City Council. City of Covington debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost (TIC) to the City. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase the bonds.

Negotiated Bid Method - when deemed appropriate to minimize the costs and risks of the City of Covington's debt issue, the Finance Director will submit to the City Council a request to sell the debt issue on a negotiated basis. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarking fees and commissions.

The City of Covington, with assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers.

The City of Covington shall, with assistance of its Financial Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

./ The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions;
./ The allocation process complies with all Municipal Securities Rulemaking Board regulations governing order priorities and allocations; and
./ The lead underwriter shall submit to the Finance Director a complete and timely account of all orders, allocations, and underwriting activities.

The Finance Director shall require a post-sale analysis and reporting for each negotiated bond sale. The independent Financial Advisor shall perform such analysis and provide a final pricing book by the day of the closing. A post-sale analysis will include, but not be limited to:

./ Summary of the pricing, including copies of the actual pricing wires;
./ Results of comparable bond sales in the market at the time of the City's pricing;
./ Detailed information on a) orders and allocation of bonds, by underwriting firm, b) detailed information on final designations earned by each underwriter, and c) a summary of total compensation received by each underwriter; and
./ Historic comparisons to Municipal Market Data indexes - day of sale basis.

No debt issue will be sold on a negotiated basis without an independent Financial Advisor.

G-8 Credit Ratings

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.
G-9 Refunding Debt

A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will require a present value savings of three percent of the principal amount of the refunding debt being issued.

G-10 Arbitrage Rebate Monitoring and Reporting

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11.

The Finance Director shall, when deemed necessary or when required, procure the services of an arbitrage rebate calculation firm. The purpose of the arbitrage rebate calculation firm is to provide arbitrage rebate compliance services in accordance with the Internal Revenue Code of 1986, as amended ("Code").

The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

G-11 Covenant Compliance

The City will comply with all covenants stated in the bond ordinance, contract, etc.

G-12 Ongoing Disclosure

The Finance Director shall be responsible for providing annual disclosure information to established national information repositories and for maintaining compliance with disclosure statements as required by state and national regulatory bodies. Disclosure required by the Securities & Exchange Commission shall occur by the date designated in the bond ordinance, which is currently July 31 of each year. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not reasonably contained within the CAFR.

G-13 Structural Elements

Maturity - The City of Covington shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years (RCW 39.46.110).

Debt Service Structure - unless otherwise justified and deemed necessary, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified and deemed necessary, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.

Maturity Structure - the City of Covington's long-term debt may include serial and term bonds. Unless otherwise justified, term bonds should be sold with mandatory sinking fund requirements.

Price Structure - the City of Covington's long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given applicable market conditions,
Coupon Type - unless otherwise justified and deemed necessary, long-term debt will be sold using current interest coupons. If justified and deemed necessary, capital appreciation bonds (zero coupon bonds) may be issued.

Redemption Features - for each transaction, the City of Covington shall evaluate the costs and benefits of call provisions.

Bond Insurance - for each transaction, the City of Covington shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City of Covington shall be competitively procured.

Tax-exemption - Unless otherwise justified and deemed necessary, the City of Covington shall issue its debt on a tax-exempt basis.

G-14 Pledge of revenues - The City of Covington's pledge of revenues shall be determined for each debt issue depending upon the debt instrument:

/. Unlimited Tax General Obligation Bonds: Unlimited Tax General Obligation Bonds of the City of Covington shall be repaid from voter-approved excess property taxes on property within the jurisdiction of the City of Covington.

/. Limited Tax General Obligation Bonds: Limited Tax General Obligation Bonds of the City of Covington shall be repaid from regular property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources such as sales tax, real estate excise tax, or reserve funds.

/. Revenue Bonds: Revenue Bonds of the City of Covington shall be repaid from specified revenues, as defined in the authorizing ordinance.

/. Special Assessment Bonds: Special Assessment Bonds of the City of Covington shall be repaid from assessments collected from within a special assessment district formed by the City of Covington pursuant to applicable law.

/. Local Option Capital Asset Lending (LOCAL) Program Debt: (LOCAL) Program Debt of the City of Covington shall be repaid from property taxes on property within the jurisdiction of the City of Covington, together with other legally available sources.

/. Other Debt Instruments [if applicable]: Other Debt Instruments of the City of Covington shall be repaid from revenues, as defined in the authorizing ordinance.

G-15 Rating Agencies

The Finance Department shall manage relationships with the rating analysts assigned to the City of Covington's credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:

/. Full disclosure, on an annual basis, of the financial condition of the City of Covington;

/. A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the City of Covington's credit;

/. Timely disclosure of any financial events that may impact the City of Covington's credit;

/. Timely dissemination of the Annual Financial Report, following its completion; and

/. Complete and timely distribution of any documents pertaining to the sale of bonds.

Credit Objective - The City of Covington shall seek to maintain and improve its credit rating.

Bond Insurers

The Finance Director shall manage relationships with the analysts at the bond insurers assigned to the City of Covington's credit, using both informal and formal methods to disseminate information.

G-16 Investment of Proceeds

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

Refunding Escrow - Unless otherwise justified and deemed necessary City of Covington shall utilize State and Local Government Series (SLGS) for the refunding escrow. SLGS are special series of U.S. Treasury securities.

If open markets securities are deemed appropriate the City of Covington shall in consultation with bond counsel comply with each of the following:

a) Make a bona fide solicitation for securities and, of the bids received, at least three are bona fide bids from sellers that have no involvement in the pricing of the issue; and

b) Purchase securities from the bidder which made the highest yielding bid and such securities have a yield at least as high as such bid.

G-17 **Bond Users Clearinghouse**

The City of Covington shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by Chapters 39.44.200 through 39.44.240 RCW and Chapter 365-130 WAG. The information requested by RCW 39.44.210 includes but is not limited to:

./ the par value of the bond issue;
./ the effective interest rates;
./ a schedule of maturities;
./ the purposes of the bond issue;
./ cost of issuance information; and
./ the type of bonds that are issued.

G-18 **Legal Covenants**

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

G-19 **Refunding Savings Thresholds**

Refundings will be conducted in accordance with the Refunding Bond Act, chapter 3953 RCW. Unless otherwise justified, City of Covington will refinance debt to achieve true savings as market opportunities arise.

Unless otherwise justified, an "advance refunding" transaction will require a present value savings of five percent of the principal amount of the refunding debt being issued.

Unless otherwise justified, a "current refunding" transaction will require graduated present value savings as follows:

<table>
<thead>
<tr>
<th>Years Between Call and Final Redemption</th>
<th>Present Value Standard</th>
</tr>
</thead>
<tbody>
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<td>1-2 years</td>
<td>1%</td>
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<tr>
<td>3-4 years</td>
<td>2%</td>
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<tr>
<td>5-6 years</td>
<td>3%</td>
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<td>7-8 years</td>
<td>4%</td>
</tr>
<tr>
<td>9+ years</td>
<td>5%</td>
</tr>
</tbody>
</table>

Selection of maturities to be refunded - unless otherwise justified, all callable maturities of an
issue will be included in a refunding.

G-20 Derivative Products

No derivative products will be utilized unless permitted by law, and not without prior City Council approval. No derivative products shall be utilized without an analysis by an independent financial advisor. No derivative products shall be used for the purpose of interest rate speculation.

G-21 Alternative Financings Schemes

The City of Covington shall not utilize alternative financing schemes to avoid restrictions imposed by law or to utilize tax loop-holes.

G-22 Evaluating Capital Improvement Program Spending

The City of Covington shall integrate its debt issuance with its Capital Improvement Program spending.

G-23 Modeling the Impact of Capital Program Needs

The City of Covington shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Finance Department shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

1. Historic and projected cash flows for capital and operating expenditures;
2. Historic and projected fund balances;
3. Historic and projected debt service coverage; and
4. Projected revenue requirements.

G-24 Debt Database Management

The City of Covington shall maintain complete information on its outstanding debt portfolio, in a database format. The information in the database shall include, but not be limited to, the following:

1. Issue Name
2. Initial Par Amount of the Issue
3. Dated Date and Sale Date of the Issue
4. Purpose of the Issue
5. Security Type (Fixed or Variable) of the Issue
6. Issue Type (New Money or Refunding) of the Issue
7. Sale type (Competitive or Negotiated) of the Issue
8. TIC, Arbitrage Yield, Avg. Life, and Underwriters Discount of the Issue
9. Underwriter(s) of the Issue
10. Principal Amounts by Maturity
11. Principal Amounts Outstanding by Maturity
12. Coupon Rate and Coupon Type (Current Interest or Zeros) by Maturity
13. Original Yield and Original Price by Maturity
14. Interest Payment Frequency by Maturity
15. First Interest Payment Date by Maturity
16. Call Provisions by Maturity
17. Sinking Provisions by Maturity
18. Credit Enhancement, if any, by Maturity

The City of Covington shall use the debt database for the following purposes:
/. Generate reports;
/. Refunding Analyses; and
/. Output to Fund Accounting System.

G-25 Accounting for the Issuance of Debt

The City of Covington shall account for the issuance of debt using general accepted accounting principles ("GAAP") as established by the Governmental Accounting Standards Board ("GASB"). Cost of issuance shall be reported as an expenditure rather than netted against proceeds.

G-26 Debt Policy Review

The City of Covington shall review and update its debt policy every four years.

H. INVESTMENT

H-1 The City’s primary objective is to manage its total cash and cash equivalent assets in a manner that conforms completely to the constraints of this policy while maximizing the interest earnings of the portfolio. This will be done in a manner that supports the government’s primary purpose of providing services to its citizens.

The primary purpose in determining a strategy for the City of Covington’s investment activities is as follows:

Legality: The City’s investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington, the BARS manual, this investment policy and corresponding administrative procedures.

Safety: Safety of principal is of primary importance to the City. Investments of the City will be undertaken in a manner that seeks to guard the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.

Liquidity: The City’s investments will remain sufficiently liquid to facilitate the City’s need to meet all operating and debt requirements which might be reasonably anticipated.

Yield: The City’s investments will be established with the objective of achieving a market rate of return throughout budgetary and economic cycles, taking into account the City’s investment risk constraints and cash flow characteristics of the portfolio.

H-2 The City has also determined to limit investment purchases to the following investment types, which the City has determined best meet their overall investment strategy. This authorization applies to all City funds.

a.) Investment deposits, including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.

b.) Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association). However, this authorization will specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm.

c.) Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)

e.) Bonds of the State of Washington and any local government in the State provided they carry a current debt rating in the top three categories of a nationally recognized rating agency at the time of investment.

f.) Prime Banker's Acceptances purchased on the secondary market with ratings of A1/P1 by a nationally recognized rating agency.

g.) Repurchase agreements for securities listed above, provided that the transaction is structured so that the City of Covington obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer. Collateralization will be required on all repurchase agreements at a level of 102% of the market value of principal and accrued interest. This is to anticipate any market changes and to provide an adequate level of security for all funds. Collateral is limited to the types of investments detailed in this section.

H-3 The Finance Director will consider all investments as common investments whose ownership is derived from each participating fund. Interest earned by the common investment portfolio will be applied in its entirety to each participating fund on the basis of its available cash balance. Unless specified by the Finance Director, all cash and cash equivalent assets of every fund will be considered available for investment. The only exception to the common investment portfolio will be investments made from the proceeds of bond sales and only to the extent necessary to provide a separate accounting of investment activity.

H-4 Funds set aside to satisfy City debt in conjunction with an advance refunding agreement will be invested in accordance with appropriate bond documents and not necessarily in compliance with this policy. If bond covenants are more restrictive than this policy, funds will be invested in full compliance with those additional restrictions.

H-5 All investments of the City of Covington shall be made in compliance with Federal and State law and in accordance with those legal interpretations that apply. The investment of any tax-exempt borrowing proceeds and of any debt service funds shall comply with the 1986 Tax Reform Act if that Act applies to the debt issued.

H-6 The Finance Director is the investment officer of the City. The Finance Director will develop written procedures for the operation of the investment program consistent with this investment policy and approved by the City Manager. These procedures will include a detailed delegation of authority to persons responsible for investment transactions. The Finance Director will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate employees. The Finance Director will ensure a periodic independent annual review of investment activities and internal controls are preformed by the external-auditing agency.

H-7 The City Manager will provide investment oversight to the Finance Director. The Finance Director will report investment activity monthly to the City Manager and semi-annually to the City Council. The City Council will amend the Investment Policy, as needed, by Resolution.

H-8 Investments will be made with judgment and care, in consideration of the circumstances then prevailing, which person(s) of prudence, discretion and intelligence would exercise in the management of their own affairs for investment purposes, not for speculation, taking into account the probable safety of their capital as well as the probable income expected to be derived.

H-9 Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the City Council any substantive financial interest in financial institutions that conduct business within this jurisdiction. They will also disclose any material personal financial or investment
The Finance Director will conduct investment transactions with several competing, reputable investment securities broker/dealers. A list will be maintained of approved security broker/dealers selected for their credit worthiness, industry reputation, knowledge of public sector investment practices, and who maintain an office in the State of Washington. The Finance Director has the authority to remove any broker/dealer from the list, with or without cause by written notice. Broker/dealers may appeal the Finance Director's action by written appeal to the City Manager.

The Finance Director will maintain a list of financial institutions as required by the Public Deposit Commission (PDC), authorized to provide investment services as outlined in R.C.W. 39.58.080.

All investment securities bought by the City, including collateral being held on repurchase agreements, will be held by the City or in safekeeping for the City by the City's custodian bank. A third party bank trust department may be appointed as agent for the City under the terms of a custody or trustee agreement signed by both the bank and the City. The primary agent of the custodian bank will provide a safekeeping receipt to the City listing the specific instrument, its rate and maturity, and any other pertinent information. All security transactions, including collateral for repurchase agreements, entered into by the City of Covington will be conducted on a delivery-versus-payment (DVP) basis.

Repurchase Agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping service is first obtained. This agreement shall very clearly establish that the bank/trust is acting as a third party agent for the Finance Director, not the broker/dealer arranging the repurchase agreements. Such third party safekeeping arrangements will be documented with a signed agreement between the Finance Director and the bank/trust involved assuring that the Finance Director has absolute control over the securities once they are delivered to safekeeping and that the dealer does not have access to them under any circumstances.

Investment officials will be bonded to provide protection to the City against loss due to possible embezzlement or malfeasance.

The City will assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and the State Investment Pool, the City will invest no more than twenty-five percent (25%) of its total investment portfolio in a single security type or with a single financial institution.

To the degree possible, the City will attempt to match its investments with anticipated cash flow requirements. Liquidity should be ensured through practices that include covering the next vendor disbursement and payroll dates through maturing investments. Unless specifically matched to a certain cash flow, or estimated to meet cash flow needs, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

The City of Covington's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The City will report investment yield benchmarked to the yield of the six-month Treasury Bill and/or the Average Fed Funds rate and/or the return provided by the State Investment Pool.

The Finance Director will actively manage daily cash to the extent that transaction costs do not overcome interest earnings. The goal is to have ninety percent of the city's entire cash and cash equivalent assets invested.
I. INTERGOVERNMENTAL REVENUES AND RELATIONS POLICIES

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City shall take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

1-1 The City will refrain from using grants to meet ongoing service delivery needs. In the City's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs.

1-2 All grant agreements will be reviewed to ensure compliance with state, federal, and City regulations.

1-3 The City will budget expenditures for grant-funded programs only after a grant award or letter of commitment, and only for the amount of grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.

1-4 The City will aggressively oppose state or federal actions that mandate expenditures which the City Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

1-5 The City will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. All intergovernmental agreements and contracts for service delivery will be brought forward to the City Council for approval.

1-6 Capital grants with local matching requirements can only be accepted for with the express approval of the City Council regardless if indicated in the Capital Investment Program.

J. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's partners and investors that the City is well managed and fiscally sound.

J-1 The City will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state's budget laws and regulations. The City will report its financial condition and results of operations in accordance with state regulations and generally accepted accounting principles applicable to governments.

J-2 The State Auditor will annually perform a financial and compliance audit of the City's financial statements. Their opinions will be contained in the City's Comprehensive Annual Financial Report (CAFR) and the Report on Compliance with the Single Audit Act of 1984 (if required).

J-3 The City will minimize the number of funds. The funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes.

J-4 Excellence in Financial Reporting: As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The CAFR will be presented in a way designed to communicate with citizens about the financial affairs of the City.

K. FIXED CAPITAL ASSETS

See most recently adopted City of Covington Capital Asset Policies and Procedures

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Fixed assets are defined as land, buildings, equipment, and improvements to existing assets costing more than $5,000 and having a useful life in excess of one year. Assets with a value or cost under $5,000 are to be expensed in the year of acquisition.

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K 2 Costs associated with remodeling or changes to the City's buildings will not be capitalized unless the useful life of the structure is extended.

K 3 Enhancements or additions to equipment will be capitalized only if the cost or value is $1,000 or more and the useful life is extended.

K 4 Additions to City acquired vehicles will be capitalized only if the item is to remain with the vehicle upon disposal.

K 5 Each department director is responsible for notifying Finance in writing of all assets sold, traded, transferred, and surplus or lost at the time of occurrence.

K 6 All assets that can be labeled will have a numbered City of Covington tag attached in a prominent, convenient location. Assets of a lesser value than the capitalization standard of $5,000 may be tagged where there is a need for property control and accountability. Finance will supply the tags which will be attached by the department receiving the assets.

K 7 All assets, regardless of value or capitalization, are the department director's responsibility with regard to tracking, inventory, and safekeeping. Finance is responsible for keeping and updating the fixed asset database.

K 8 The Finance Director may administratively surplus office equipment, computer equipment, small tools, computer software, minor equipment, and police weapons with a value of less than or equal to $5,000. Titled vehicles, real property, and any City property with a value of greater than $5,000 will be surplused by City Council resolution.

K 9 All property with an expected value greater than the cost to surplus will be offered through a competitive process, in which at least three interested parties are notified. Property where the expected value is less than the cost to surplus may be destroyed or donated to another governmental agency or local community nonprofit. The City may elect to partner with another City's annual auction to save on costs and resources.

K 10 The Finance Director will have oversight for the accounting of all surplus property transactions. In cases of administrative surpluses, the Finance Director will record property description, estimated value, number of bidders, and the lowest highest bid range for accounting and auditing purposes.

K 11 The Public Works Director shall manage the GASB 34 infrastructure inventory, providing the Finance Department with annual reports as required.

M FINANCIAL PLANNING POLICIES

The City shall develop and maintain a six-year Financial Forecast that estimates resource and expenditure behavior for five years beyond the current budget period. This Forecast will provide the City's decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City's resources. To this end, the Forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning should ensure the delivery of needed services (many of which become more critical during economic downturns) by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

M-1 Operational and Capital Funds:

a. The Finance Department will prepare and maintain a Financial Forecast for Operational and Capital Funds based on current service levels and current funding sources. This forecast will include the upcoming year as well as five years beyond the current period (a total of six forecast years). This future-oriented look will provide insight into whether the current mix and level of
resources are likely to continue to be sufficient to cover current service levels. The forecast also allows staff and City Council to test various "what-if" scenarios and examine the fiscal impact on future budget cycles.

b. The City will periodically test both its planning methodology and use of planning tools in order to provide information that is timely, accurate, and widely disseminated to users throughout the City.

c. Departments will forecast and monitor their respective revenues and expenditures with assistance from the Finance Department. The Finance Department will assist departments in developing appropriate systems for such monitoring and will retain overall fiscal oversight responsibility for the General Fund.

M-2 Expenditure estimates should anticipate contingencies that are reasonably predictable and also differentiate between ongoing expenditures and those that are one-time activities.
SUBJECT: CONSIDER ORDINANCE AMENDING ORDINANCE NO. 21-2017

ATTACHMENT(S):
1) Proposed ordinance amending Ordinance No. 21-2017
2) Ordinance No. 21-2017

RECOMMENDED BY: Rob Hendrickson, Finance Director

EXPLANATION:
On November 28, 2017, the Council adopted Ordinance No. 21-2017 authorizing a property tax increase in terms of both dollars and percentages to be collected in the 2018 tax year. After filing our ordinances with the Assessor’s Office, we were contacted and asked to amend the way our dollars and percentage change is calculated. This amendment will not change the amount of levy requested.

Staff recommends the Council adopt the proposed ordinance. If not corrected, this could affect the city’s 2018 property tax collections.

FISCAL IMPACT:
2017 property tax levy to be collected in 2018 will remain at $2,800,000.

CITY COUNCIL ACTION: X Ordinance _____Resolution _____Motion _____Other

Councilmember _________ moves and Councilmember __________ seconds to adopt an ordinance, in substantial form as that attached hereto, to amend Ordinance No. 21-2017.

REVIEWED BY: City Manager; City Attorney; Finance Director.
AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF COVINGTON, WASHINGTON, AMENDING
SECTION 1 OF ORDINANCE NO. 21-2017

WHEREAS, the city passed Ordinance No. 21-2017 on November 28, 2017, which authorized a property tax increase in terms of both dollars and percentages, to be collected in the 2017 tax year; and

WHEREAS, the city wishes to adjust the dollar and percentage increase requested to be collected in the 2018 tax year;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Section 1 of Ordinance No. 21-2017 is amended to read as follows:

An increase in the 2017 regular property tax levy is hereby authorized for the property tax levy to be collected in the 2018 tax year. The dollar amount of the increase over the actual levy amount from 2017 shall be $25,281, which is a percentage increase of 0.96% from 2017. The increase is in addition to revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred, and refunds made.

Section 2. If any provision of this ordinance, or ordinance modified by it is determined to be invalid or unenforceable for any reason, the remaining provisions of this ordinance, and ordinances and/or resolutions modified by it, shall remain in force and effect.

Section 3. This ordinance shall be in force and take effect five (5) days after its publication according to law.

PASSED by the Council on this 12th day of December, 2017, and signed in authentication thereof.

__________________________
Mayor Jeff Wagner

PUBLISHED: December 15, 2017
EFFECTIVE: December 20, 2017

ATTESTED:

__________________________
Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

__________________________
Kathy Hardy, City Attorney
ORDINANCE NO. 21-2017

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COVINGTON, KING COUNTY, WASHINGTON, SPECIFICALLY AUTHORIZING A PROPERTY TAX INCREASE IN TERMS OF BOTH DOLLARS AND PERCENTAGES, TO BE COLLECTED IN THE 2018 TAX YEAR, AS PURSUANT TO RCW 84.55.120.

WHEREAS, the city council of the City of Covington has met and considered its budget for the calendar year 2018; and

WHEREAS, the city's actual levy amount from the 2017 was $2,629,839; and

WHEREAS, the population of the city is more than 10,000;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINGTON, KING COUNTY, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. An increase in the 2017 regular property tax levy is hereby authorized for the property tax levy to be collected in the 2018 tax year. The dollar amount of the increase over the actual levy amount from 2017 shall be $79,049, which is a percentage increase of 3.0% from 2017. The increase is in addition to revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred, and refunds made.

Section 2. This ordinance shall be in full force and effect five (5) days after proper posting and publication. A summary of this ordinance may be published in lieu of publishing the ordinance in its entirety.

Section 3. If any provision of this ordinance, or ordinance modified by it, is determined to be invalid or unenforceable for any reason, the remaining provisions of this ordinance and ordinances and/or resolutions modified by it shall remain in full force and effect.

PASSED by the City of Covington City Council at a regular meeting thereof held on the 28th day of November, 2017, and signed in the authentication thereof.

Major Jeff Wagner

ATTESTED:

Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

Kathy Hardy, City Attorney

PUBLISHED: December 1, 2017
EFFECTIVE: December 6, 2017
SUBJECT: AUTHORIZATE THE CITY MANAGER TO EXECUTE AN ANNUAL AGREEMENT WITH JAMES G. MURPHY CO. TO SURPLUS USED VEHICLES AND EQUIPMENT THROUGH A PUBLIC AUCTION.

RECOMMENDED BY: Don Vondran, Public Works Director

ATTACHMENT(S):
1. Annual Agreement with James G. Murphy Co.

PREPARED BY: Ross Junkin, Maintenance Supervisor

EXPLANATION:
In April 2016, the City Council approved an annual agreement with James G. Murphy Co. to sell surplus vehicles, equipment and office furniture at an auction. We researched options and found that other government agencies were using public auctions and that James G. Murphy Co. would be suitable for this purpose. In November 2016 council approved another annual agreement for 2017. We would like to continue working with James G. Murphy Co. to auction our surplus vehicles and equipment and enter into annual agreement for 2018.

The City would like to use James G. Murphy Co. primarily to sell vehicles and equipment. They charge a percentage of the selling price for their services: 10% for rolling stock (equipment and vehicles) and 20% for office equipment and small tools.

Selling the city’s surplus vehicles/equipment at a public auction is in agreement with the City’s Fleet Policy. Staff believes that using public auctions to sell surplus items will yield fair market value as well as the highest possible payback for the city and recommend going this route.

ALTERNATIVES:
Not to enter into an agreement with James G. Murphy Co. and research alternative ways of selling surplus vehicles and equipment.

FISCAL IMPACT:
Costs associated with entering into this agreement with James G. Murphy Co. are the following:
- The City’s cost would be 10% of the selling price for rolling stock and 20% for office equipment and small tools.

CITY COUNCIL ACTION: _____Ordinance _____Resolution ___X__Motion _____Other

Council member ____________ moves, Council member _________________ seconds, to authorize the City Manager to execute an Annual Agreement with James G. Murphy Co. to surplus used vehicles and equipment through a public auction.

REVIEWED BY: City Manager; City Attorney, Finance Director
ATTACHMENT 1

ANNUAL AGREEMENT

CONSIGNOR:
Name: City of Covington
Address: 16720 SE 271st St #100
City: Covington State: WA Zip: 98042
Phone: 206-423-8461 Fax: 253-638-1439 Contact: John Gaudette

CONSIGNOR AGREES TO CONSIGN BELOW DESCRIBED ARTICLES FOR AUCTION UNDER THE FOLLOWING TERMS AND CONDITIONS:

1. This Agreement, dated November 21st, 2017, expires December 31, 2018. All aspects of the auction shall be solely within the discretion and control of the James G. Murphy Company ("Auctioneer").
2. There are no minimum or reserve prices on the Consigned Articles, and Auctioneer will not guarantee any selling price for said articles. Neither consignor, nor anyone acting for Consignor, may bid on or buy back any item Consignor has consigned to auction.
3. Consignor agrees to pay Auctioneer a standard commission for selling the Consigned Articles, as follows:
   - 10% - Ten Percent Rolling Stock (Trucks, Cars, Equipment) Trailers & Towable Equipment
   - 20% - Office Equipment, Small Tools
   - CDL Drives or Tows Market Rate ($100-$125 per hr), Non CDL Drives $75 per vehicle, Non CDL Tows $225 Per Vehicle
4. At the completion of the auction, Auctioneer shall furnish to Consignor a list of the Consigned Articles sold together with the sale prices obtained. After deducting from the auction proceeds all amounts due to Auctioneers under this agreement including amounts for commission, reimbursable expenses, and indemnification, and any amounts necessary to pay other parties (including liens) as may be required by law or under this agreement, Auctioneer shall pay to Consignor the net proceeds within 14 days after the auction.
5. Consignor agrees not to sell or in any manner dispose of any of the Consigned Articles prior to auction. If Consignor sells or disposes of any of the Consigned Articles prior to auction, Consignor shall reimburse Auctioneer for commission on any article thus sold or disposed of (as well as for any reimbursable expenses and indemnification due to Auctioneer under this agreement for said article) as if the article had been sold at auction. Further, Auctioneer may deduct any commission, reimbursable expenses, and indemnification due on any such article from the proceeds of articles consigned by Consignor that were sold at auction.
6. Consignor warrants that he has full authority to sell Consigned Articles and further, that he will make available all necessary documents of title within three (3) days prior to the day of auction.
7. Consignor warrants and guarantees that his title to the Consigned Articles is unencumbered and free from any liens.
8. If there are any liens against the Consigned Articles, Consignor authorizes Auctioneer to deduct amounts from the auction proceeds with which to pay off lienholder(s). Auctioneer shall deduct all amounts owing to Auctioneer before making payments to lienholder(s). Notwithstanding the foregoing, Auctioneer shall have no duty to determine the existence of liens, or to pay liens.
9. Consignor assumes all risk of loss to the Consigned Articles until such risk passes to buyer. Auctioneer is not responsible for fire, theft, vandalism, or other losses. It is the Consignor's responsibility, at his sole expense, to keep said articles insured until such risk passes to buyer.
10. Consignor warrants to Auctioneer, solely for the protection of Auctioneer, that there are no known hidden defects in articles sold or to be sold.
11. Consignor hereby engages Auctioneer as the agent of Consignor for purposes related to the auction. Auctioneer shall have authority to execute bills of sale to purchasers at the auction, and to receive, demand, and collect sale proceeds.
12. Auctioneer does not guarantee that any sale to a bidder at the auction will be completed. If for any reason a bidder refuses to pay for an auctioned item prior to removal of the item from the auction site, Auctioneer may, at its option, return the item in question to Consignor (in which case Auctioneer shall not be required to make any payment to Consignor) or re-auction such item within a reasonable time after the auction specified herein.
13. Auctioneer may charge Consignor for actions required to prepare the Consigned Articles for auction.
14. Consignor authorizes Auctioneer to start and move equipment in the auction area.
15. Consignor assumes, and indemnifies Auctioneer from, all risk and liability which may arise from the failure of the Consigned Articles to comply with government regulations, including environmental regulations, and Consignor shall pay all costs of cleanup of such articles and any other costs incurred due to environmental permits associated with said articles.
16. Consignor will indemnify Auctioneer from any loss, casualty, or liability (including attorneys fees, costs, expenses, settlements and judgments) incurred by or threatened against Auctioneer by any third party from any claim (whether or not suit is filed) not the fault of Auctioneer, including but not limited to the following matters: claims asserting defects in Consignor's title or in Consignor's authority to consign for auction any goods sold or to be sold; injury (including environmental injury) resulting from any goods sold or to be sold; or claims caused by any breach of this agreement by Consignor. Consignor authorizes Auctioneer to withhold net auction proceeds necessary to assure Auctioneer of indemnification hereunder, but Consignor's obligation to indemnify shall not be limited to amounts withheld (if any).
17. Consignor will indemnify Auctioneer for all attorneys fees and costs (whether or not suit is filed) incurred by Auctioneer to enforce any term of this agreement, or to determine conflicting or uncertain claims by third parties to the auction proceeds, whether by negotiation, arbitration, or commencement of suit (including interpleader action). Consignor authorizes Auctioneer to withhold net auction proceeds as necessary to assure reimbursement of Auctioneer for attorneys fees and costs hereunder; but Consignor's obligation to indemnify shall not be limited to amounts withheld (if any).
18. In the case of conflicting or uncertain claims (including Consignor's and/or Auctioneer's claims) to the auction proceeds. Auctioneer may obtain determination of those claims (including filing of suit for interpleader) for the protection and release of Auctioneer from any further liability for the auction proceeds. In case of interpleader, Auctioneer may deduct all commissions, expenses and indemnification amounts to which Auctioneer is entitled under this agreement before the net proceeds are interpleaded.
19. This contract contains the entire agreement between the parties. No representations or warranties have been made by Auctioneer or by any of Auctioneer's agents or employees. No modification of the terms herein shall be effective except in writing and signed by both parties.
20. Consignor agrees to submit, at Auctioneer's election, to the jurisdiction and venue of the Superior Court of the State of Washington for King or Snohomish County (in which case Consignor waives any right of removal) or to the jurisdiction and venue of the United States District Court for the Western District of Washington in any action concerning in any way this agreement. This agreement shall be governed by the laws of the State of Washington.

(List additional equipment on additional sheet)

CONSIGNOR agrees, by signature, to abide by the foregoing terms and conditions, and further, acknowledges receipt of a copy of this contract:

(Names of Company or Individual)

By: (Authorized Agent)

Date: 

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Agenda Item 1
Covington City Council Meeting
Date: December 12, 2017

SUBJECT: PUBLIC HEARING TO SURPLUS 32.25 ACRES KNOWN AS CEDAR CREEK PARK; AND CONSIDER AUTHORIZING CITY MANAGER TO EXECUTE A REAL ESTATE PURCHASE AND SALE AGREEMENT AND OTHER CLOSING DOCUMENTS NECESSARY TO COMPLETE THE SALE OF THE PROPERTY TO KING COUNTY

RECOMMENDED BY: Ethan Newton, Parks and Recreation Director

ATTACHMENT(S):
1. Proposed Resolution, including Purchase and Sale Agreement

PREPARED BY: Ethan Newton, Parks and Recreation Director

EXPLANATION:
In 2003 the city entered into an interlocal agreement with King County to participate in the county’s Conservation Futures Tax Levy (CFT) program. The city’s first use of CFT funds was to purchase two parcels (KC #202206-9014 and KC# 212206-9186) totaling 32.25 acres known as Cedar Creek Park. Since the city took ownership of the Cedar Creek Park, the city has not actively developed or maintained the property. The city now has the opportunity to surplus this property and transfer ownership to King County.

The following information about the property should be considered:

- **Outside City Limits:** The Cedar Creek Park lies outside the city limits of Covington. King County is a more suitable owner and steward of the property for three reasons: 1) because the property is in an unincorporated area of King County, 2) because the property is adjacent to King County’s Cedar Creek Downs making for a larger, contiguous park, and 3) because this park property has been identified in plans for a future King County regional trail.

- **Liability Risk:** The two homes on the property have been left vacant since 2014 and are a liability risk that may attract trespassers, squatters, thieves and other criminal activity. Such was the case when one of the homes was substantially damaged by an arsonist soon after the home was vacated. Transferring this property to King County will reduce the city’s liability risk associated with this property.

- **CFT Funding:** The King County Conservation Future Tax (CFT) program that helped fund the city’s purchase of the property has asserted that the city must remove the structures on the property and the CFT Citizen Committee has recommended to King County Council that future CFT funding for the city be contingent upon this park property being transferred to King County so the structures can be removed. This
recommendation from the CFT Citizen Committee includes an allocation of $260,000 towards the city’s SoCo Park Phase 2 Project. Transferring this property to King County will transfer the burden of removing the structures to King County and allow for the city to be eligible for future CFT funding.

- **Development and Maintenance:** The city has limited resources to develop and maintain a park system within the city limits, consequently developing and maintaining a property outside the city limits becomes a low priority. Since owning the property, the city has made no improvements to the property and provides no ongoing maintenance of the property. Transferring this property to King County will transfer the burden of development and maintenance of this park to King County.

- **Compensation:** As part of the transfer agreement, King County has agreed to provide services equal to the city’s investment in the acquisition of the park property. These include 1) transaction costs related the transfer of the property, 2) costs of demolition and removal of structures on the property, and 3) progress towards development of the King County regional trail, referred to as the Covington Highlands Trail.

**ALTERNATIVES:**
1. Choose not to pass a resolution to surplus Cedar Creek Park and to sell the property to King County.

**FISCAL IMPACT:**
The sale of the Cedar Creek Park to King County is in the form of services and assistance from King County as outlined in the Purchase and Sale Agreement Exhibit D, including closing costs, demolition of the two homes, and assistance with the development the Covington Highlands Trail. No revenue is anticipated as a result of selling this property to King County.

**CITY COUNCIL ACTION:** ____ Ordinance  ____X Resolution  ____ Motion  ____ Other

Council member _________ moves, Council member _________ seconds, to pass a resolution, in substantial form as that attached hereto, declaring certain real property as surplus and to authorize the City Manager to execute a real estate purchase and sale agreement and other closing documents necessary to complete the sale of 32.25 acres known as Cedar Creek Park to King County.

**REVIEWED BY:**  Finance Director, City Attorney, City Manager
RESOLUTION NO. 2017-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COVINGTON, KING COUNTY, WASHINGTON, DECLARING CERTAIN REAL PROPERTY SURPLUS AND AUTHORIZING ITS SALE TO KING COUNTY.

WHEREAS, the City of Covington owns 32.25 acres known as Cedar Creek Park that consist of King County Parcel #202206-9014 and #212206-9186; and

WHEREAS, the city’s Financial Management Policies require that real property be surplused by City Council resolution prior to conveyance; and

WHEREAS, RCW 35A.11.010 provides the city the authority to convey real property; and

WHEREAS, Cedar Creek Park lies outside the city limits of Covington in unincorporated King County; and

WHEREAS, King County Conservation Fund Tax (CFT) program is requiring the transfer of ownership of Cedar Creek Park to King County for the city to be eligible for future CFT funding, including $260,000 towards the city’s SoCo Park Phase 2 project; and

WHEREAS, pursuant to RCW 39.33.020, the City Council of the City of Covington held a public hearing declaring Cedar Creek Park to be surplus; and

WHEREAS, the public hearing was properly noticed in the Covington Reporter on December 1, 2017; and

WHEREAS, King County is better equipped to serve the public as a steward of the property, both in developing and maintaining the park; now, therefore,

BE IT RESOLVED by the City Council of the City of Covington, King County, Washington, as follows:

Section 1. The City Council does hereby declare that the 32.25 acres known as Cedar Creek Park (King County Parcel #202206-9014 and #212206-9186) is surplus to the needs of the city.

Section 2. The City Council authorizes the City Manager to execute a real estate purchase and sale agreement in substantially the same form as that attached hereto as Exhibit “A” and other closing documents for sale of 32.25 acres known as Cedar Creek Park (King County Parcel #202206-9014 and #212206-9186) to King County, subject to terms and conditions of the City Manager and the City Attorney.
PASSED in open and regular session on this 12th day of December, 2017.

_____________________________________
JEFF WAGNER, MAYOR

ATTESTED:

_____________________________________
Sharon Scott, City Clerk

APPROVED AS TO FORM:

_____________________________________
Kathy Hardy, City Attorney
This Agreement is made as of the date this instrument is fully executed by and between THE CITY OF COVINGTON, a municipal corporation of the State of Washington ("Seller"), and KING COUNTY, a political subdivision of the State of Washington ("Buyer"), for purchase and sale of that certain property situated in King County, Washington, described in Exhibit "A", and all rights appurtenant (the "Property"), pursuant to the Intergovernmental Disposition of Property Act, R.C.W. ch. 39.33.

WHEREAS Seller and Buyer make the following recitals:

A. Buyer administers a land conservation program known as the Conservation Futures Tax Levy ("CFT") whereby jurisdictions in King County can apply for funds to purchase properties that will be set aside for conservation and open space purposes.

B. Buyer and Seller entered into an “Interlocal Agreement” (Recording Number 20030214002651) in February 2003 that outlined the terms by which Seller could participate in the CFT program.

C. Pursuant to the Interlocal Agreement, Buyer approved Seller’s acquisition of the Property, and provided three hundred and fifty thousand dollars ($350,000) of CFT funds toward the acquisition, with Seller providing the remaining funds ($495,540.18) needed for acquisition.

D. Following acquisition of the Property, Seller undertook and continued activities on the Property for a sustained period of time that violated the CFT grant conditions.

E. In lieu of Buyer pursuing the enforcement mechanisms provided for in the Interlocal Agreement to remedy the activities in violation of the CFT grant conditions – a cash payment from Seller to Buyer equal to the current value of the CFT grant used to acquire the Property, or substitution of an acceptable property into the CFT program – Buyer and Seller determined it was mutually beneficial to enter into this agreement.

F. And furthermore, the Property lies outside Covington city limits in unincorporated King County, is adjacent to other King County properties allowing for a larger, contiguous park, and has been identified in the plans for a future King County regional trail.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, and other valuable consideration, receipt and sufficiency of which are hereby acknowledged, the
Buyer and Seller hereto covenant and agree as follows:

1. **PURCHASE PRICE:** The total purchase price for the Property is **Four Hundred Ninety Five Thousand, Five Hundred and Forty and 18/100 Dollars (US $495,540.18)** ("Purchase Price"). The Purchase Price will be payable post-closing in the form of services and assistance for value as defined in the terms and provisions of the agreement referenced herein as Exhibit “D.”

2. **TITLE:**

2.1 **Deed:** At closing, Seller will execute and deliver to Buyer a Statutory Warranty Deed in substantially the form attached hereto as Exhibit “B” conveying and warranting good and marketable title to the Property free and clear of all defects or encumbrances except for the lien of real estate taxes and drainage service charges not yet due and payable and those defects and/or encumbrances identified on Exhibit "C" (collectively, "Permitted Exceptions"). Buyer and Seller also acknowledge that the Seller used a grant funding source that requires the property be subject to the following covenant and restriction in perpetuity: “The property herein conveyed is subject to open space use restrictions and restrictions on alienation as specified in RCW §84.34.200, et seq., King County Code §26.12.005, et seq. and King County Ordinance No. 14714.”

2.2 **Title Insurance:** At closing, Buyer shall receive (at Buyer's expense) an owner's Standard ALTA policy of title insurance, dated as of the closing date and insuring Buyer in the amount of the Purchase Price against loss or damage by reason of defect in Buyer's title to the Property subject only to the printed exclusions appearing in the policy form and any Permitted Exceptions.

3. **CONTINGENCIES:**

3.1 **Environmental Review Contingency:** The sale of the Property is contingent on a determination by Buyer based upon an Environmental Site Assessment ("Assessment") that there are not and have not been any significant releases of hazardous materials on the Property. Seller hereby grants Buyer’s employees, agents or contractors a right of entry onto the Property for any site inspections performed in connection with such Assessment. In connection with such inspections, Buyer agrees to hold harmless, indemnify and defend Seller, its officers, agents and employees, from and against all claims, losses, or liability, for injuries, sickness or death of persons, including employees of Buyer caused by or arising out of any act, error or omission of Buyer, its officers, agents, contractors, subcontractors or employees in entering Seller’s Property for the above purposes, to the extent not caused by or arising out of any act, error or omission of Seller, its officers, agents and employees.

3.2 **Removal of Contingencies:** Buyer shall have a period of ninety (90) days from the date
all parties have signed this Agreement to remove all contingencies. Buyer may remove such
contingencies by sending written notice thereof to Seller pursuant to Paragraph 7 herein. If the
contingencies are not removed within this period, this Agreement shall be null and void.

4. **RISK OF LOSS:** Seller will bear the risk of loss of or damage to the Property prior to
closing. In the event of such loss or damage to the Property, Seller shall promptly notify Buyer
thereof and Buyer may, in its sole discretion, terminate this Agreement by giving notice of
termination to the Seller.

5. **SELLER’S REPRESENTATIONS, WARRANTIES AND COVENANTS:** Seller
represents warrants and covenants to the Buyer at the date of execution of this Agreement and
the date of closing that:

5.1 **Authority:** Seller, and the person(s) signing on behalf of Seller, has full power and
authority to execute this Agreement and perform Seller's obligations, and if Seller is a
corporation, all necessary corporate action to authorize this transaction has been taken;

5.2 **No Leases:** The Property is not subject to any leases, tenancies or rights of persons in
possession;

5.3 **No Material Defect:** Seller is unaware of any material defect in the Property;

5.4 **Contamination:** Seller represents and warrants that he/she/it has not caused or allowed
the generation, treatment, storage, or disposal of hazardous substances on the property, except in
accordance with local, state, and federal statutes and regulations, nor caused or allowed the
release of any hazardous substance onto, at, or near the Property. Seller is in compliance with all
applicable laws, rules, and regulations regarding the handling of hazardous substances, has
secured all necessary permits, licenses and approvals necessary to its operation on the Property,
and is in compliance with such permits. Seller has not received notice of any proceedings,
claims, or lawsuits arising out of its operations on the Property and, to the Seller's knowledge,
the property is not, nor has it ever been subject to the release of hazardous substances. Excepting
as to the extent defined in Exhibit C herein, there are or have been no underground storage tanks
on the Property and no underground storage tanks have been removed from the Property. There
are or have been no septic or on-site sewage systems on the Property.

5.5 **Fees and Commissions:** Seller shall pay for any broker's or other commissions or fees
incurred by the Seller in connection with the sale of the Property and Seller shall indemnify and
hold Buyer harmless from all such claims for commission and/or fees.

6. **CLOSING:**

6.1 **Time for Closing:** The sale will be closed in the office of the Closing Agent not later
than twenty one (21) calendar days from the date all contingencies set forth in Paragraph 3 herein
have been removed, or as soon thereafter as practicable.

Buyer and Seller shall deposit in escrow with the Closing Agent all instruments, documents and moneys necessary to complete the sale in accordance with this Agreement. As used in this Agreement, "closing" and "date of closing" means the date on which all appropriate documents are recorded and proceeds of the sale are available for disbursement to Seller. The Closing Agent shall be:

Stewart Title Insurance Company
1420 Fifth Avenue, Suite 440
Seattle, WA 98101

6.2 **Prorations:** Closing Costs: Buyer will pay real estate excise taxes (if any are due) and real property taxes prorated through the date of closing. Buyer will also pay the premium for its owner’s title insurance policy, the cost of recording the Statutory Warranty Deed from Seller, and the Closing Agent’s escrow fees.

6.3 **Possession:** Buyer shall be entitled to possession of the Property at closing.

7. **NOTICES:** Any notices required herein shall be given to the parties at the addresses listed below:

TO SELLER:
City of Covington
Attn: Parks and Recreation Director
16720 SE 271st Street
Covington, WA 98042-4964

TO BUYER:
King County Water and Land Resources Division
Open Space Acquisitions
201 South Jackson Street, Suite 600
Seattle, WA 98104

8. **GENERAL:** This is the entire agreement of the Buyer and Seller with respect to the Property and supersedes all prior or contemporaneous agreements between them, written or oral. This Agreement may be modified only in writing, signed by Buyer and Seller. Any waivers under this Agreement must be in writing. A waiver of any right or remedy in the event of a default will not constitute a waiver of such right or remedy in the event of any subsequent default. This Agreement is for the benefit of, and binding upon, Buyer and Seller and their heirs, personal representatives, successors and assigns. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision. Time is of the essence in this agreement.

9. **WASTE; ALTERATION OF PROPERTY:** Seller shall not commit waste on the Property, nor shall Seller remove trees or other vegetation, coal, minerals or other valuable materials nor shall Seller substantially alter the surface or subsurface of the Property without the express written consent of Buyer.
10. **SURVIVAL OF WARRANTIES:** The terms, covenants, representations and warranties in this Agreement shall not merge in the deed of conveyance, but shall survive closing.

11. **TERMINATION OF OFFER:** This offer shall terminate if not accepted by Seller on or before _________________, 2017
Signed in duplicate original.

BUYER: King County, a political subdivision of the State of Washington.

BY: _____________________________
    Christie True, Director
    Department of Natural Resources and Parks

Date: ____________________

SELLER: City of Covington, a municipal corporation of the State of Washington.

BY: _____________________________
    _____________________________, City Manager

Date: ____________________

EXHIBITS:   Exhibit A, Legal Description
            Exhibit B, Statutory Warranty Deed
            Exhibit C, Permitted Exceptions/Title Report
            Exhibit D, Agreement for Services and Assistance
STATE OF WASHINGTON )
COUNTY OF KING ) SS

I certify that I know or have satisfactory evidence that ________________________ is the person who appeared before me, and said person acknowledged that _he signed this instrument, on oath stated that _he is authorized to execute the instrument and acknowledged it as the ____________________________ of the Department of Natural Resources and Parks of King County to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____________________

____________________________________________
Printed name

Notary Public in and for the State of Washington

Residing at ________________

My appointment expires ______
STATE OF WASHINGTON)  ) SS
COUNTY OF KING) 

I certify that I know or have satisfactory evidence that _______________________ is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the City Manager of the City of Covington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _______________________ 

________________________________________________________________________

________________________________________________________________________

Printed name

Notary Public in and for the State of Washington

Residing at ___________________

My appointment expires _______
EXHIBIT A

LEGAL DESCRIPTION

Parcel A:
The North 30 acres of the Northeast Quarter of the Southeast Quarter in Section 20, Township 22 North, Range 6 East, W. M., in King, County, Washington; Except the West 440 feet; And except that portion thereof conveyed to King County for road by deed recorded under Recording No. 2931464.

Parcel B
The South 10 acres of the Northeast Quarter of the Southeast Quarter in Section 20, Township 22 North, Range 6 East, W. M., in King, County, Washington; And except that portion thereof conveyed to King County for road by deed recorded under Recording No. 2931465.

Parcel C:
The West 330 feet of the Northwest Quarter of the Southwest Quarter in Section 21, Township 22 North, Range 6 East, W. M., in King, County, Washington; Together with that portion of vacated Collier Lund Road No. 2 which upon vacation, attached to said premises by operation of law; Except county road; Also except the North 5 acres lying South of county road (SE 248th Street), more particularly described as follows:
Commencing at the Northwest corner of the Northwest Quarter of the Southwest Quarter in Section 21, Township 22 North, Range 6 East, W. M., in King, County, Washington; Thence South 01°38’14” West, a distance of 30.00 feet to the South margin of SE 248th Street and point of beginning; Thence continuing South 01°38’14” West along the West line of said Southwest Quarter, a distance of 661.63 feet; Thence South 88°34’16” East, a distance of 330.00 feet to the East line of the West 330 feet of said Northwest Quarter of the Southwest Quarter;
Thence North 01°38’14” East along said East line, a distance of 659.58 feet to the South margin of SE 248th Street;
Thence North 88°12’57” West along said South margin, a distance of 329.97 feet to the point of beginning.

(Also known as Parcel A King County Exempt Lot Line Revision No. 2004079, dated August 2, 2004)
STATUTORY WARRANTY DEED

Grantor - -  City of Covington, a municipal corporation of the State of Washington
Grantee - -  King County, a political subdivision of the state of Washington
Legal - - -  ________________________________
Tax Acct. -  ________________________________

The Grantor, THE CITY OF COVINGTON, a municipal corporation of the State of Washington, for and in consideration of mutual benefits, does hereby convey and warrant unto the Grantee, King County, a political subdivision of the State of Washington, the following the real property situate in King County, Washington and described in Attachment “A” (the “Property”), attached hereto and incorporated herein by this reference, subject to all easements, covenants, conditions, restrictions, encumbrances and other matters of record, including, but not limited to, the permitted exceptions set forth in Attachment B.

The property herein conveyed is subject to open space use restrictions and restrictions on alienation in perpetuity as specified in RCW §84.34.200, et seq., King County Code §26.12.005, et seq. and King County Ordinance No. 14714.

GRANTOR  
The City of Covington
BY: ________________________________
TITLE: ________________________________
DATE: ________________________________

GRANTEE  
King County
BY: ________________________________
TITLE: ________________________________
DATE: ________________________________

NOTARY BLOCKS APPEAR ON THE NEXT TWO PAGES
NOTARY BLOCK FOR THE CITY OF COVINGTON

STATE OF WASHINGTON )
COUNTY OF KING ) SS

On this __________ day of __________________________, 2017, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared ________________________________, to me known to be the _________________________________, who executed the foregoing instrument and acknowledged to me that SHE or HE was authorized to execute said instrument on behalf of the City of Covington or the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

______________________________
Printed name

______________________________
Notary Public in and for the
State of Washington

Residing at __________________

My appointment expires _______
NOTARY BLOCK FOR KING COUNTY

STATE OF WASHINGTON
COUNTY OF KING

On this ___________ day of __________________________, 2017, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared ________________, to me known to be the_________________, and who executed the foregoing instrument and acknowledged to me that SHE was authorized to execute said instrument on behalf of KING COUNTY for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

______________________________
Printed name

______________________________
Notary Public in and for the State of Washington

Residing at __________________

My appointment expires _______
ATTACHMENT A
Legal Description of Conveyed Property

ATTACHMENT B
PERMITTED EXCEPTIONS/TITLE REPORT

Those special exceptions listed on Stewart Title Insurance Company Title Report #01148-38505 dated December 11, 2014, and any supplements thereto (which Title Report and Supplements are incorporated into this Agreement by this reference) numbered 1, (Paid Current), 2 (Paid Current), 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19.
KING COUNTY PARKS
CEDAR CREEK PARK

EXHIBIT C

PERMITTED EXCEPTIONS/TITLE REPORT

Those special exceptions listed on Stewart Title Insurance Company Title Report #01148-38505 dated December 11, 2014, and any supplements thereto (which Title Report and Supplements are incorporated into this Agreement by this reference) numbered 1, (Paid Current), 2 (Paid Current), 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19.
KING COUNTY PARKS
CEDAR CREEK PARK

EXHIBIT D

AGREEMENT by and between THE CITY OF COVINGTON, a municipal corporation of the State of Washington ("Seller"), and KING COUNTY, a political subdivision of the State of Washington ("Buyer"), for combined payment in cash and payment in kind for the purchase of that certain property described in Exhibit “A” herein, as follows:

1. Consideration of the payment of all transaction costs (title, escrow, closing costs, taxes, King County staff time) associated with the purchase and conveyance of the Property.

2. Consideration of all costs of demolition and removal of the two (2) homes, any associated outbuildings, and remaining personal property and debris on the Property after closing. Costs to include pumping and decommissioning of two (2) septic tanks and removal of two (2) above-ground heating oil tanks associated with the two homes on the Property.

3. Consideration of monetary and non-monetary assistance to Seller in developing the Covington Highlands Trail, in the form of assisting Seller in the acquisition of real property for this project, including acquisition costs and purchase money (which may end up in either King County or Covington ownership, to be determined at time of purchase), and/or assistance in the planning, designing and permitting of the project including but not limited to providing staff time and expertise.

4. Consideration of Buyer relieving Seller of the costs associated with ownership, development, and maintenance of the Property.

5. Recognizing that development of the Covington Highlands Trail will best be achieved with coordination between King County and Covington, King County staff and Covington staff shall convene at least one time per year to discuss progress on the Covington Highlands Trail.

6. The above value of in-kind considerations one through five shall equal a total sum equal to or greater than Four Hundred and Ninety Five Thousand, Five Hundred and Forty and 18/100 Dollars (US $495,540.18).

Buyer’s obligations to Seller under this Agreement, if any, that extend beyond the current biennial budget cycle are contingent upon appropriation by the King County Council of sufficient funds to pay such obligations. Buyer’s future obligations contained herein may be unilaterally terminated by the Buyer for lack of appropriation and the costs associated with such a termination, if any, shall not exceed the appropriation for the biennium budget cycle in which the termination occurs. Buyer shall not be subject to any obligation under this Agreement to provide advance notice of termination or pay any termination penalties.
SUBJECT: APPOINTMENT TO OPENING ON THE COVINGTON ECONOMIC DEVELOPMENT COUNCIL (CEDC).

RECOMMENDED BY: Regan Bolli, City Manager

ATTACHMENT(S): See Interview Schedule and Application provided separately.

PREPARED BY: Joan Michaud, Senior Deputy City Clerk

EXPLANATION:
There is currently one opening on the Covington Economic Development Council that is to be appointed by the Covington City Council. One application has been received. The Council interviewed that applicant on Tuesday, December 12.

<table>
<thead>
<tr>
<th>Name of Applicant</th>
<th>Resides/Works</th>
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<tbody>
<tr>
<td>Robert Bernard</td>
<td>Resides in Covington</td>
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ALTERNATIVES:
Not appoint at this time and direct staff to continue to advertise for additional applicants.

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution  X  Motion _____ Other

Council member _____________ moves, Council member _____________ seconds, to appoint _____________ to fill a position on the Covington Economic Development Council with a term expiring July 31, 2019.

REVIEWED BY: City Clerk and City Manager
SUBJECT  CONSIDER ORDINANCE ADOPTING THE CY2018 OPERATING AND CAPITAL BUDGET AND IMPLEMENTING THE CY2018 COST OF LIVING ADJUSTMENT FOR CITY EMPLOYEES

ATTACHMENT(S):
  1. Proposed 2018 Budget Ordinance with exhibits.
  2. 2018 Budget Changes Worksheet.

RECOMMENDED BY:  Rob Hendrickson, Finance Director

EXPLANATION:
The City Council has received the 2018 budget, held public hearings, and listened to presentations from staff about their respective department budgets. The City Manager presented an overview of the budget and gave his perspective on current and future budgets. In addition, Council reviewed the City’s 6-year financial forecast.

Based on direction from the Council, the attached proposed ordinance represents the final known budget that the Council wishes to adopt for CY 2018, which includes a CY2018 cost of living adjustment (COLA) of 3.0332% for all regular city employees.

ALTERNATIVES:
  1. The Council could amend the proposed budget for CY2018.
  2. The budget could be adopted at a later date; however the budget is required to be adopted prior to the beginning of the new calendar year.

FISCAL IMPACT:
The CY2018 Budget, including transfers-in (out) and fund balances, totals $76,066,307.

CITY COUNCIL ACTION:  X Ordinance  _____ Resolution  _____ Motion  _____ Other

Councilmember ___________ moves, Councilmember __________ seconds, to pass an Ordinance, in substantial form as that attached hereto, adopting the CY2018 Operating and Capital Budget.
ORDINANCE NO. 25-2017


WHEREAS, Chapter 35A.33 RCW requires the city to adopt an annual budget and provides procedures for the filing of estimates, a preliminary budget, deliberations, public hearings, and final adoption of the budget; and

WHEREAS, a preliminary budget for the year 2018 was prepared and filed with the City Clerk; and

WHEREAS, public hearings were scheduled and properly noticed for October 24, 2017, at 7:00 pm, November 14, 2017, at 7:00 pm and November 28, 2017, at 7:00 pm for the purpose of making and adopting the final budget for the year 2017; and

WHEREAS, the City Council did hold said hearings and deliberated and made such changes as deemed necessary and proper; and

WHEREAS, the estimated expenditures set forth in said budget being all necessary to carry on the government of the City of Covington for the year 2018 and being sufficient to meet the needs of the City of Covington for this period;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The budget for the City of Covington, Washington, for the year 2018 is hereby adopted at the fund level in its final form and content as set forth in the document entitled “City of Covington 2018 Budget” dated December 12, 2017, a true and correct copy of which is attached hereto as Exhibit "A", and incorporated herein by reference.

Section 2. Estimated resources, including fund balances or working capital for each separate fund of the City of Covington for the year 2018, and aggregate totals for all such funds combined are set forth in summary form below and are hereby appropriated for expenditure at the fund level during the year 2018 as set forth below:
Section 3. The 2018 budget provides funding for and it is hereby authorized that a 3.0332% Cost of Living Adjustment (COLA) for all regular (non-contract) city employees is to take effect on January 1, 2018.

Section 4. The 2018 budget provides funding for and it is hereby authorized that a step increase be awarded to all employees on that date which is one year from their date of hire or the date of their last step increase. The exact details of the step program are to be established by the City Manager, subject to the funded level in the budget.

Section 5. The 2018 Salary Schedule for authorized positions is attached hereto as Exhibit “B”, and incorporated herein by reference.

Section 6. Any surplus funds remaining in the Local Improvement District Fund after all bonds have been paid shall be transferred to the LID Guaranty Fund. Upon certification by the Finance Director that the LID Guaranty Fund has sufficient funds currently on hand to meet all valid outstanding obligations of the fund and all other obligations of the fund reasonably expected to be incurred in the near future, then the surplus funds shall be transferred to the General Fund. The net cash of the LID Guaranty fund may be reduced to no less than ten percent of the net outstanding obligations guaranteed by the fund.

Section 7. A complete copy of the final budget as adopted herein shall be transmitted to the Division of Municipal Corporations in the office of the State Auditor and to the Municipal Research and Services Center of Washington. Three copies of the final budget as adopted herein shall be filed with the City Clerk and shall be available for use by the public.

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<td>Local Improvement District 99-01 Fund</td>
<td>32,465</td>
</tr>
<tr>
<td>Local Improvement District 99-01 Guaranty Fund</td>
<td>32,465</td>
</tr>
<tr>
<td>Long-Term Debt Service Fund</td>
<td>1,182,517</td>
</tr>
<tr>
<td>Unemployment Insurance Reserve Fund</td>
<td>446,236</td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>1,370,289</td>
</tr>
<tr>
<td><strong>Total All Funds</strong></td>
<td><strong>$76,066,307</strong></td>
</tr>
</tbody>
</table>
Section 8. Upon the approval of the City Attorney, the City Clerk is authorized to make any necessary corrections to this ordinance including, but not limited to, the correction of scrivener’s/clerical errors, references, ordinance numbering, section/subsection numbers, and any reference thereto.

Section 9. If any provision of this ordinance, or ordinance modified by it, is determined to be invalid or unenforceable for any reason, the remaining provisions of this ordinance, and ordinances and/or resolutions modified by it, shall remain in force and effect.

Section 10. This ordinance shall be in force and take effect five (5) days after its publication according to law.

Passed by the Council on this 12th day of December 2017.

________________________
Mayor Jeff Wagner

ATTESTED:  PUBLISHED:  December 15, 2017
EFFECTIVE:  December 20, 2017

____________________________
Sharon Scott, City Clerk

APPROVED AS TO FORM ONLY:

____________________________
Kathy Hardy, City Attorney
City of Covington
Adopted Budget - By Fund
For the Fiscal Year 2018

<table>
<thead>
<tr>
<th>Beginning Fund Balances</th>
<th>General Fund</th>
<th>Street Fund</th>
<th>Development Services Fund</th>
<th>Water Investment Fund</th>
<th>Capital Investment Program Reserve Fund</th>
<th>Cumulative Reserve Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Projected), January 1, 2018</td>
<td>$5,696,282</td>
<td>$354,707</td>
<td>$4,058,549</td>
<td>$8,142,375</td>
<td>$6,252,066</td>
<td>$1,440,956</td>
</tr>
</tbody>
</table>

| Projected Revenues: | 12,412,484 | 1,049,690 | 1,128,440 | 2,409,564 | 20,782,814 | 15,000 |
| Projected Expenditures: | (10,929,272) | (1,278,749) | (1,645,900) | (2,356,667) | (24,186,550) | - |
| Fund Transfers In: | 3,032,465 | 162,497 | - | - | 2,655,000 | - |
| Fund Transfers (Out): | (2,574,514) | - | - | (725,000) | (3,000,000) | - |
| Excess (Deficiency) of Revenues Over Expenditures | 1,941,163 | (66,562) | (517,460) | (672,103) | (3,748,736) | 15,000 |


### Decision Packages:

| Decision Packages Expenditures: | (1,011,725) | (145,700) | (76,790) | (125,625) | (2,392,107) | - |
| Related Revenues | - | - | - | - | 1,922,053 | - |
| Fund Transfers In: | - | - | - | - | 317,178 | - |
| Fund Transfers (Out): | (317,178) | - | - | - | - | - |
| Debt Proceeds: | - | - | - | - | - | - |
| Total Decision Packages | (1,328,903) | (145,700) | (76,790) | (125,625) | (152,876) | - |

| Assigned Ending Fund Balance | 3,029,509 | - | - | - | - | - |

| Adjusted Ending Fund Balances, December 31, 2018 | $3,279,033 | $142,445 | $3,464,299 | $7,344,647 | $2,350,454 | $1,440,956 |

| Totals for Budget Ordinance Sources | $21,141,231 | $1,566,894 | $5,186,989 | $10,551,939 | $31,929,111 | $1,445,956 |
| Totals for Budget Ordinance Uses | $(21,141,231) | $(1,566,894) | $(5,186,989) | $(10,551,939) | $(31,929,111) | $(1,445,956) |
### 2018 City of Covington
#### Adopted Budget - By Fund
For the Fiscal Year 2018

<table>
<thead>
<tr>
<th>Contingency Fund</th>
<th>Real Estate Excise Tax Fund 1st Qtr%</th>
<th>Real Estate L.I.D. Excise Tax Fund 2nd Qtr%</th>
<th>L.I.D. Guaranty Fund</th>
<th>Long-Term Debt Service Reserve Fund</th>
<th>Unemployment Insurance Reserve Fund</th>
<th>Equipment Replacement Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 412,923</td>
<td>$ 28,396</td>
<td>$ 28,396</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 383,737</td>
<td>$ 1,101,465</td>
<td>$ 27,899,852</td>
</tr>
</tbody>
</table>

- 350,250 | 350,250 | 32,465 | - | - | 62,499 | 184,744 | 38,778,200 |

(1,182,517) | (15,000) | (62,266) | (41,646,921) |

47,499 | 132,478 | (2,868,721) |

$ 412,923 | $ 28,396 | $ 28,396 | $ - | $ - | $ 431,236 | $ 1,233,943 | $ 25,031,131 |

(162,000) | (3,913,947) |

84,080 | 2,006,133 |

317,178 | (317,178) |

(77,920) | (1,907,814) |

3,029,509 |

$ 412,923 | $ 378,646 | $ 378,646 | $ 32,465 | $ 32,465 | $ 1,182,517 | $ 446,236 | $ 1,370,289 | $ 76,066,307 |

## City of Covington
### Employee Positions/Salary Range Schedule
#### For the Fiscal Year 2018

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary Range Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Manager</td>
<td>$156,610 - $187,000</td>
</tr>
<tr>
<td>City Attorney</td>
<td>$124,053 - $148,126</td>
</tr>
<tr>
<td>Community Development Director</td>
<td>$124,053 - $148,126</td>
</tr>
<tr>
<td>Finance Director</td>
<td>$124,053 - $148,126</td>
</tr>
<tr>
<td>Parks &amp; Recreation Director</td>
<td>$124,053 - $148,126</td>
</tr>
<tr>
<td>Public Works Director</td>
<td>$124,053 - $148,126</td>
</tr>
<tr>
<td>Chief Building Official</td>
<td>$107,190 - $127,991</td>
</tr>
<tr>
<td>City Engineer</td>
<td>$101,122 - $120,745</td>
</tr>
<tr>
<td>Development Review Engineer</td>
<td>$90,000 - $107,464</td>
</tr>
<tr>
<td>Deputy Building Official</td>
<td>$90,000 - $107,464</td>
</tr>
<tr>
<td>Senior Information Systems Administrator</td>
<td>$87,451 - $104,421</td>
</tr>
<tr>
<td>City Clerk/Executive Assistant</td>
<td>$84,905 - $101,381</td>
</tr>
<tr>
<td>Operations &amp; Maintenance Manager</td>
<td>$84,905 - $101,381</td>
</tr>
<tr>
<td>Personnel Manager</td>
<td>$82,503 - $98,513</td>
</tr>
<tr>
<td>Principal Planner</td>
<td>$82,503 - $98,513</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>$80,100 - $95,644</td>
</tr>
<tr>
<td>Maintenance Supervisor</td>
<td>$80,100 - $95,644</td>
</tr>
<tr>
<td>Communications &amp; Marketing Manager</td>
<td>$80,100 - $95,644</td>
</tr>
<tr>
<td>Plans Examiner/Building Inspector</td>
<td>$80,100 - $95,644</td>
</tr>
<tr>
<td>Recreation Manager</td>
<td>$80,100 - $95,644</td>
</tr>
<tr>
<td>Senior Planner</td>
<td>$77,832 - $92,935</td>
</tr>
<tr>
<td>Aquatic Manager</td>
<td>$75,565 - $90,228</td>
</tr>
<tr>
<td>Senior Permit Center Coordinator</td>
<td>$75,565 - $90,228</td>
</tr>
<tr>
<td>Surface Water Management Program Coordinator</td>
<td>$73,382 - $87,622</td>
</tr>
<tr>
<td>Position</td>
<td>Salary Range Annual</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Associate Planner</td>
<td>$73,382 - $87,622</td>
</tr>
<tr>
<td>Construction Inspector</td>
<td>$71,288 - $85,122</td>
</tr>
<tr>
<td>Parks Project Manager</td>
<td>$71,288 - $85,122</td>
</tr>
<tr>
<td>Senior Lead Maintenance Worker</td>
<td>$71,288 - $85,122</td>
</tr>
<tr>
<td>Associate Planner/Code Enforcement Officer</td>
<td>$69,269 - $82,711</td>
</tr>
<tr>
<td>Personnel &amp; Senior Human Services Planner</td>
<td>$69,269 - $82,711</td>
</tr>
<tr>
<td>Programs Supervisor/Public Works</td>
<td>$69,269 - $82,711</td>
</tr>
<tr>
<td>Accountant I</td>
<td>$67,252 - $80,303</td>
</tr>
<tr>
<td>Code Enforcement Officer</td>
<td>$67,252 - $80,303</td>
</tr>
<tr>
<td>Engineering Technician</td>
<td>$67,252 - $80,303</td>
</tr>
<tr>
<td>Personnel &amp; Human Services Planner</td>
<td>$65,349 - $78,030</td>
</tr>
<tr>
<td>Senior Deputy City Clerk</td>
<td>$65,349 - $78,030</td>
</tr>
<tr>
<td>Lead Maintenance Worker</td>
<td>$63,447 - $75,759</td>
</tr>
<tr>
<td>Senior Accounting Clerk</td>
<td>$59,856 - $71,472</td>
</tr>
<tr>
<td>Aquatics Specialist</td>
<td>$56,466 - $67,424</td>
</tr>
<tr>
<td>Athletics Specialist</td>
<td>$56,466 - $67,424</td>
</tr>
<tr>
<td>Customer Service Specialist</td>
<td>$56,466 - $67,424</td>
</tr>
<tr>
<td>Desktop Support Technician</td>
<td>$56,466 - $67,424</td>
</tr>
<tr>
<td>Recreation Specialist</td>
<td>$56,466 - $67,424</td>
</tr>
<tr>
<td>Maintenance Worker II</td>
<td>$54,869 - $65,516</td>
</tr>
<tr>
<td>Executive Department Assistant/Receptionist</td>
<td>$51,763 - $61,807</td>
</tr>
<tr>
<td>Permit/Planning Technician</td>
<td>$50,253 - $60,005</td>
</tr>
<tr>
<td>Office Technician II/Executive Office</td>
<td>$48,832 - $58,308</td>
</tr>
<tr>
<td>Maintenance Worker I</td>
<td>$48,832 - $58,308</td>
</tr>
</tbody>
</table>
## City of Covington
### Employee Positions/Salary Range Schedule
**For the Fiscal Year 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Assistant II</td>
<td>$43,460 - $51,893</td>
</tr>
<tr>
<td>Management Assistant</td>
<td>$43,460 - $51,893</td>
</tr>
<tr>
<td>Maintenance Aide</td>
<td>$42,195 - $50,383</td>
</tr>
<tr>
<td>Recreation Assistant</td>
<td>$42,195 - $50,383</td>
</tr>
<tr>
<td>Recreation Instructor</td>
<td>$41,520 - $49,577</td>
</tr>
<tr>
<td>Water Safety Instructor II</td>
<td>$37,799 - $45,134</td>
</tr>
<tr>
<td>Specialty Instructor</td>
<td>$35,660 - $42,580</td>
</tr>
<tr>
<td>Water Safety Instructor</td>
<td>$35,660 - $42,580</td>
</tr>
<tr>
<td>Office Assistant III</td>
<td>$32,468 - $38,767</td>
</tr>
<tr>
<td>Engineering/GIS Intern</td>
<td>$31,558 - $37,683</td>
</tr>
<tr>
<td>Finance Assistant I</td>
<td>$31,558 - $37,683</td>
</tr>
<tr>
<td>Aquatics Lead</td>
<td>$30,052 - $35,884</td>
</tr>
<tr>
<td>Lifeguard II</td>
<td>$30,052 - $35,884</td>
</tr>
<tr>
<td>Maintenance Worker (Seasonal)</td>
<td>$29,746 - $35,517</td>
</tr>
<tr>
<td>Office Assistant II</td>
<td>$28,888 - $34,494</td>
</tr>
<tr>
<td>Lifeguard</td>
<td>$28,352 - $33,853</td>
</tr>
<tr>
<td>Recreation Lead</td>
<td>$28,352 - $33,853</td>
</tr>
<tr>
<td>Referee</td>
<td>$23,920 - $28,562</td>
</tr>
<tr>
<td>Facility Attendant</td>
<td>$24/hr flat rate</td>
</tr>
<tr>
<td>Facility Monitor</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Recreation Aide</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Office Assistant I</td>
<td>$12/hr flat rate</td>
</tr>
<tr>
<td>Intern - Parks &amp; Recreation</td>
<td>$1,000/stipend</td>
</tr>
</tbody>
</table>
## City of Covington
Adopted Budget - By Fund
Changes Worksheet
For the Fiscal Year 2018

### Development Surface Capital Review Water Improvement General Street Services Management Program

<table>
<thead>
<tr>
<th>Fund</th>
<th>General Fund</th>
<th>Street Fund</th>
<th>Review Services Fund</th>
<th>Water Management Fund</th>
<th>Capital Improvement Program Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Ending Fund</td>
<td>$6,629,187</td>
<td>$142,445</td>
<td>$3,464,299</td>
<td>$7,344,647</td>
<td>$2,350,454</td>
</tr>
</tbody>
</table>

**Adjustments to FY 2017 Projections**
(beginning fund balance FY 2018)

**Budget Adjustments:**

**Revenue Adjustments:**
- Additional Funding - Property Tax: 30,000

**Base Budget Adjustments:**

**Decision Card Changes/New:**

**Decision Cards Changes:**
- Parks Maintenance equipment - additional funding for aerator: (25,580)
- Convert Code Enforce. Officer/Assoc. Planner from 1.0 to 2.0 FTE: (61,075)

**New Decision Cards:**
- Emergency Management Coordinator (20 hrs per week/0.5 FTE): (41,180)
- Police Sergeant (1.0 FTE): (222,810)

**Assigned Ending Fund Balance:**
- General Fund: 3,029,509

**Adjusted Ending Fund Balance, December 31, 2018:**
- General Fund: $3,279,033
- Street Fund: $142,445
- Review Services Fund: $3,464,299
- Water Management Fund: $7,344,647
- Capital Improvement Program Fund: $2,350,454
City of Covington
Adopted Budget - By Fund
Changes Worksheet
For the Fiscal Year 2018

<table>
<thead>
<tr>
<th>Cumulative Reserve</th>
<th>Contingency</th>
<th>REET 1st Qtr</th>
<th>REET 2nd Qtr</th>
<th>L.I.D. 99.01</th>
<th>L.I.D. Guarantee</th>
<th>Long-Term Debt Service</th>
<th>Internal Service Fund</th>
<th>Equipment Replacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
</tr>
<tr>
<td>Projected Ending Fund Balances, December 31, 2018</td>
<td>$1,455,956</td>
<td>$412,923</td>
<td>$28,396</td>
<td>$28,396</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$431,236</td>
</tr>
</tbody>
</table>

Adjustments to FY 2017 Projections
(beginning fund balance FY 2018)

Budget Adjustments:
Revenue Adjustments:

Base Budget Adjustments:

Decision Card Changes/New:
Decision Cards Changes:
- Parks Maintenance equipment - additional funding for aerator 3,000

New Decision Cards:

Assigned Ending Fund Balance

| Assigned Ending Fund Balance | $1,455,956 | $412,923 | $28,396 | $28,396 | - | - | - | - | - |
Adjusted Ending Fund Balance, December 31, 2018

| Adjusted Ending Fund Balance, December 31, 2018 | $1,455,956 | $412,923 | $28,396 | $28,396 | - | - | - | $431,236 | $1,156,023 |
SUBJECT: REVIEW THE 2017 SUMMIT ACTION ITEMS LIST

RECOMMENDED BY: Regan Bolli, City Manager

ATTACHMENT(S):
1. 2017 Summit Action Items List

PREPARED BY: Regan Bolli, City Manager

EXPLANATION:
On January 28, 2017 the Covington City Council and Leadership Team held their annual summit to discuss ongoing and new projects and policies for the coming year. After the summit was held a summary was drafted by facilitator Jim Reid and adopted by Council. From that summary, this action item list was created to track the work completed on each action item from the summit.

This list is periodically reviewed and followed up on by staff and was last presented to council on June 13. Attached is the updated list.

ALTERNATIVES:

FISCAL IMPACT:

CITY COUNCIL ACTION: ___Ordinance ___Resolution ___Motion ___Other

This item is for discussion purposes only.

REVIEWED BY: City Manager
2017 Summit Action Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Task</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Plan</td>
<td>Present objectives to council • Create action items • Approval of action items from council • Share strategic plan with commissions • Present to council for final adoption</td>
<td>• Reviewed objectives with the council and got approval of the same. • Formulated action items and received council approval. • Reviewed the plan with commissions to receive feedback by the end of June. • Complied edits from commissions. • Presented to council for final adoption. • Created an action item tracking sheet and timeline.</td>
</tr>
<tr>
<td>Organization Charts</td>
<td>Photo org chart of staff • Photo list of commissioners • Photo of City Council</td>
<td>• Photo org chart of staff has been completed and provided to the council. • Photo list of commissioners is being compiled. • Conducted the council photo shoot.</td>
</tr>
<tr>
<td>Community Survey</td>
<td>Develop a plan to publicize the results</td>
<td>• Placed the survey results online. • Integrating the survey results into press releases/announcements indicating how the city is actively working to provide the priorities the community established in the survey. Example: When CIP 1127 construction begins we will use press release and project page to share survey responses on the priority of street construction and maintenance.</td>
</tr>
<tr>
<td>Public Safety</td>
<td>Explore the possibility of placing a levy before the voters at a future date for four or five new officers.</td>
<td>• Research on public safety levy success rates. • Waiting for financial report from consultant.</td>
</tr>
<tr>
<td>Polaris</td>
<td>Although no action item was decided by the council there was discussion on finding a way to include the Polaris community and reach out to them.</td>
<td>• Met with owners and management. • Police and Human Services met and toured the facility. • Working to provide rec programing at the facility. • Management introduced to KSD and Communities in Schools staff and will collaborate on a Badges and Barbells summer program.</td>
</tr>
</tbody>
</table>
| Fireworks | • Track what happens in Kent and Maple Valley after their firework ban and assess what we can learn from them. | • Spoke with Maple Valley and Kent PD.  
• Received a report from Kent PD.  
• Emailed results to council  
• Shared results with council during the 11/28/17 council meeting. |
|------------|-------------------------------------------------|----------------------------------------------------------------------------------|
| Funding    | • Hire a financial consultant to identify and assess options for funding future capital projects. This item had overlap in Town Center, transportation and Parks & Recreation.  
• Hold a study session with council to discuss financial consultant’s findings. | • Drafted a request for proposals and established a timeline.  
• Issued our request on June 6, 2017.  
• Hired ECONorthwest  
• Assisted ECONorthwest in their data collection and analysis. |
| Town Center| • Work to purchase property from KSD  
• Work with KSD to short plat the Covington Elementary site. | • Received permission from KSD to short plat the property.  
• Working on an authorization letter from KSD so we can commence work.  
• Developing funding options to purchase the property.  
• KSD reversed and said they will short plat and then we can reimburse them the cost.  
• Met with Helix Design to develop a plat indicating how much property we will need to purchase. |
| Aquatics Center | • Provide the council with the annual cost of operating and maintaining the Aquatics Center. | • Provided to council. |
| Fun        | • Involve CYC, Art Commission, and Parks and Recreation Commission in creating fun ideas for our city.  
• Leadership Team will continue to integrate this way of thinking into what we do. | • Presented this idea to CEDC and they will be developing ideas that we can use around town.  
• This was presented to the Arts commission and P&R Commission  
• CEDC and CYC are collaborating on creating a Covington mascot. |
| Volunteer Appreciation | • Survey commissions for their volunteer appreciation preference from four selections determined by the council. | • Created the survey  
• Sent to all commissioners  
• Results were compiled and presented to council. |
| Council Packet | • Work to get the packet online and printed a day or two earlier than has traditionally been done. | • Worked through the agenda creation process and have been getting it to council sooner than it previously had been. |
DISCUSSION OF FUTURE AGENDA ITEMS:

5:20 p.m., Tuesday, January 9, 2018 – Special Meeting
Parks & Recreation Commission Interviews

7:00 p.m., Tuesday, January 9, 2018 – Regular Meeting

(Draft Agenda Attached)
CITY OF COVINGTON
CITY COUNCIL SPECIAL MEETING AGENDA – 5:20 P.M.
CITY COUNCIL REGULAR MEETING AGENDA – APPROXIMATELY 7:00 P.M.
www.covingtonwa.gov

City Council Chambers
Tuesday, January 9, 2018
16720 SE 271st Street, Suite 100, Covington

Council will interview Parks & Recreation Commission applicants beginning at 5:20 p.m.

CALL CITY COUNCIL REGULAR MEETING TO ORDER – approximately 7:00 p.m.

ROLL CALL/PLEDGE OF ALLEGIANCE

SELECTION OF MAYOR

SELECTION OF MAYOR PRO TEM

RECEPTION FOR NEWLY ELECTEDS

APPROVAL OF AGENDA

PUBLIC COMMUNICATION
• Children’s Dental Health Month Proclamation – February (Wendy Dore, Outreach Manager for University of Washington Center for Pediatric Dentistry)

PUBLIC COMMENT Speakers will state their name, address, and organization. Comments are directed to the City Council, not the audience or staff. Comments are not intended for conversation or debate and are limited to no more than four minutes per speaker. Speakers may request additional time on a future agenda as time allows. *

APPROVE CONSENT AGENDA
C-1. Minutes: November 14, 2017 Regular Meeting; November 28, 2017 Regular Meeting; and December 12, 2017 Special & Regular Meetings (Scott)
C-2. Vouchers (Hendrickson)
C-3. Council Appointments to Regional Boards and Committees (Council)

NEW BUSINESS
1. Consider Appointments to Parks & Recreation Commission (Council)

FUTURE AGENDA ITEMS

COUNCIL/STAFF COMMENTS

PUBLIC COMMENT *See Guidelines on Public Comments above in First Public Comment Section
EXECUTIVE SESSION – if needed

ADJOURN

Americans with Disabilities Act – reasonable accommodations provided upon request a minimum of 24 hours in advance (253-480-2400).