

MOTION NO. : 5888

A MOTION adopting financial policies.

WHEREAS, the King County Executive and King County Council have a responsibility to ensure the sound and prudent management of King County funds:

WHEREAS, explicit statement of King County's financial policies will inform the public and the financial community of the principles guiding the County's fiscal management;

WHEREAS, a full statement of King County's financial policies will help to preserve and protect the creditworthiness of King County government when we seek to finance public projects;

WHEREAS, a clear statement of King County's financial policies provides a tool to evaluate budgetary decisions and fiscal management practices for consistency with our long term financial stability;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

The financial policies as listed in Attachment A are hereby adopted.

PASSED this 3<sup>rd</sup> day of January, 1984.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

Gary Grant  
Chairman

ATTEST:

Jeanette M. Owens  
Clerk of the Council

## FINANCIAL POLICIES

FINANCIAL POLICY #1: King County Current Expense Undesignated Fund Balance

King County's financial planning should provide for an anticipated year-end undesignated Current Expense (CX) Fund Balance between six percent and eight percent of estimated annual revenues, in order to: maintain the County's credit rating; meet seasonal cash flow shortfalls; help maintain services during short periods of economic decline; and meet emergency conditions. "Undesignated" fund balance is the CX Fund Balance, excluding all reserves not anticipated to be readily available for use in emergencies.

Should the estimated balance fall below six percent of revenues, a plan for expenditure reductions and/or revenue increases shall be submitted to the Council.

In the event the anticipated balance is above eight percent, the difference may be used to fund the following activities, in order of preference: (1) one-time capital expenditures which do not increase ongoing County costs; (2) other one-time costs; and (3) ongoing or new County programs, provided that such action be considered in the context of a multi-year projection of revenues and expenditures.

If the actual year-end undesignated CX Fund Balance falls below six percent of annual revenues, the County should rebuild the balance to at least six percent within one year.

FINANCIAL POLICY #2: Non-Current Expense Fund Balances

Financial planning for all King County operating funds should aim to establish a positive anticipated unencumbered fund balance, the appropriate level of which will be dictated by the specific characteristics of the fund and its purposes. These would include:

- 1) Cash flow requirements to support operating expenses;
- 2) Relative rate stability from year-to-year for internal service funds and enterprise funds;
- 3) Susceptibility to emergency or unanticipated expenditures;
- 4) Credit worthiness and capacity to support debt service requirements for enterprise funds;
- 5) Legal or regulatory requirements affecting revenues, disbursements, and fund reserves.

Fund balances should be planned to avoid large rate increases from one year to the next. Where fund balance deficits exist, a gradual correction of the problem over a two to three year period may be preferable to a one-time jump in rates, where that increase would be substantial and beyond the level required for ongoing expenditures.

FINANCIAL POLICY #3: Interfund Management -- Current Expense Transfers to  
Special Revenue Funds

To the maximum extent feasible and appropriate, annual appropriations of Current Expense (CX) resources to other funds should be defined as payments intended for the support of specific programs.

Amounts not needed to support such specific expenses would revert to the CX undesignated Fund Balance, unless legislative directives establishing the transfer for other items are enacted.

Transfers of CX appropriations should generally occur on the basis of 1/12th of the budgeted amount at the beginning of each month, with a reconciliation of actual expenditures against transferred amounts in the 13th month.

In cases where a one-time advance of CX funds is transferred to another operating fund, this action should occur under the following conditions:

- 1) The advance is approved by the Executive Finance Committee;
- 2) All excess cash balances in the fund will be invested for the benefit of the CX Fund, consistent with other applicable Federal and State law and regulations, as long as the advance is outstanding.
- 3) Should the fund accumulate an unexpected unencumbered balance, this excess will be used first to repay the advance.
- 4) At the time of closing out the fund, all assets of the fund revert to the CX Fund, consistent with any other applicable Federal, State, or local law.

For short term cash deficits in non-CX Funds during the course of the year, short term loans are preferred to advances, except in cases where the receiving fund is legally precluded from paying interest on loans or where loan transactions would be too numerous and costly to be cost effective.

FINANCIAL POLICY #4: Intergovernmental Service Charges

Where King County provides services on behalf of other governmental jurisdictions, the County should establish and maintain agreements and contracts with those jurisdictions--including the Federal government, the State of Washington, other counties, and incorporated cities and towns in King County--to ensure King County is reimbursed for the full cost of those services.

PH/HS:mss  
3177A/2-4  
Jan. 3, 1983