

**RESOLUTION NO 617**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KALAMA REPLACING RESOLUTION NO 572 UPDATING THE ADOPTED FINANCIAL POLICY FOR THE CITY OF KALAMA**

**WHEREAS**, the City Council of the City of Kalama finds the adoption of written financial policies are in the best interest of the City to provide sufficient guidance to the staff and provide a framework for future Council actions on decisions which have financial consequence;

**WHEREAS**, policies were adopted by Resolution No. 572 in February of 2012 including the disbursement policy included in the appendices of Exhibit A;

**WHEREAS**, the City finds it necessary to update the disbursement policy to include the process for handling electronic payment transactions which allows for more efficient payment of the City's invoices;

**WHEREAS**, additional updates should be incorporated into the policies to include changes in the City administration and operating procedures since first adoption;

**WHEREAS**, the City Council affirms that the purpose and objectives stated in the Financial Policies as included herein are in the best interest of the City of Kalama;

**NOW THEREFORE BE IT RESOLVED** by the City Council of the City of Kalama that the City of Kalama adopts the following:

**SECTION 1:** The City of Kalama Financial Policies as attached herein as Exhibit A are amended and readopted as the financial policies of the City.

Be it further resolved this resolution will take effect upon its passage.

**Passed by the City Council of the City of Kalama at a regular meeting held on December 17, 2014.**

\_\_\_\_\_  
Pete Poulsen, Mayor

ATTEST:

\_\_\_\_\_  
Coni McMaster, Clerk/Treasurer

Approved as to form

\_\_\_\_\_  
Paul Brachvogel, City Attorney

# City of Kalama

## Financial Policies

Adopted February 15, 2012 – Res. No 572

Updated December 17, 2014- Res. No 617

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## Purpose

The City of Kalama is accountable to its citizens for the use of public dollars. Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. To discuss, write, and adopt a set of financial policies is a key element to maintaining the City's integrity, promote sound financial management and assist in the City's stability, efficiency, and effectiveness. They are the tools to ensure that the City is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and internal financial management of the City.

## Objectives

1. To guide City Council and management staff in policy and financial decisions that have significant fiscal impact.
2. To set forth operating principles that minimize the cost of government and financial risk.
3. To implement balanced and fair revenue policies that provide adequate funding for desired programs.
4. To maintain appropriate financial capacity for present and future needs.
5. To promote sound financial management by providing accurate and timely information on the City's financial condition.
6. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's obligations on all municipal debt.
7. To ensure the legal use of financial resources through an effective system of internal controls.

## General Policies

1. The City Council may set financial policies to assure the financial strength and accountability of the City.
2. The Mayor or designee shall develop administrative directives and general procedures for implementing the City Council's financial policies.
3. All City Departments will share in the responsibility of meeting **the financial** policy goals, ~~and~~ ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
4. To attract and retain employees necessary for providing high quality services, the City shall establish and maintain a compensation and benefit packages ~~that is~~ **are** competitive with the public and private sectors.
5. Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the state and federal level.
6. **The City will** initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
7. The City will strive to maintain fair and equitable relationships with its contractors and suppliers.

## Accounting Policies

The City of Kalama will comply with prevailing federal, state, and local statutes and regulations. The City shall conform to a comprehensive basis of accounting in compliance with Washington State statutes, and requirements contained in the Cash Basis Budgeting, Accounting, and Reporting Systems (BARS) manual and with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA) where applicable meeting the prescribed basis of accounting from the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. The City adopts these principals:

1. The City uses the **single-entry** cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
2. The City will maintain expenditure categories according to state statute and administrative regulations. The City will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classifications.
3. Monthly and quarterly budget reports showing the current status of revenues and expenditures shall be prepared and distributed to appropriate legislative, staff and management personnel in a timely manner and made available for public inspection.
4. Electronic financial systems shall be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
5. The Annual Financial Report shall be prepared and submitted to the State Auditor's Office no later than 150 days from the end of the preceding fiscal year.
6. The Annual Financial Report shall be prepared on the basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles. The report shall provide full disclosure of all financial activities and related matters.
7. The State Auditor's Office will audit City records ~~annually or biannually, depending upon audit requirements~~ **as required by law**, and will issue a financial opinion.

## Budget Policies

1. The City Council will adopt and maintain a balanced annual operating budget. The City will strive to adopt a budget in which current annual operating revenues will be equal to or greater than current operating expenditures. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget will provide the staff the resources necessary to accomplish City Council determined service levels.
2. The budget is prepared and implemented on an annual basis in accordance with RCW 35A.33. The annual budget shall be developed in a manner which encourages involvement with the public and City Council. Budgets are developed and used for the General, Special Revenue and Enterprise funds of the City. Budgets are also used to

account for principal and interest payments and to account for capital expenditures and associated capital funding sources in the Capital Improvement Reserve Funds.

3. The Finance Department is responsible for conducting the overall preparation and administration of the City's budget. This includes providing information on revenues and expenditures, updating costs and revenues, organizing data in an understandable fashion, and creating and providing tools for budget development.
4. Budget control and accountability are maintained at the departmental level. Budgets are developed and monitored at the line item level, but are managed at the fund level. A manager can overspend on one line item as long as it is balanced out by an under expenditure on another line item. The total expenditures for a fund cannot exceed the total budget for the fund.
5. The Finance Department assists department management in identifying budget problems, formulating solutions and alternatives and implementing any necessary corrective actions. The Mayor has the authority to approve appropriation transfers between programs or departments within a fund.
6. In no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment. All amendments to the budget shall be approved by the City Council.

## Revenues

The City will try to maintain a diversified and stable revenue system to protect programs from short-term fluctuations in any single source.

1. Current expenditures will be funded by current revenues.
2. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies or reliable economic forecasters when available.
3. General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by City Council, required by law, or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited into the General Fund and appropriated by the budget process.
4. If revenues from "one-time" or limited duration sources are used to balance the City's annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the City's goal to not rely on these types of revenues to balance the operating budget.
5. The City will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised, and expenses will be reduced to conform to the revised long-term revenue forecast, or revenue increases to the various sources of revenues, including but not limited to rates, and charges for services will be considered.
6. The City will follow an aggressive and professional policy of collecting revenues. When necessary, the City may; discontinuing service, utilize small claims court or collection agencies, execute foreclosure or, liens and/or other methods of collection, such as imposing penalties, collection costs and late charges, may be used.
7. Enterprise and Internal Service operations will be self-supporting.

8. The City will maximize the use of service users' charges in lieu of ad valorem (property) taxes and subsidies from other City funds, for services ~~that~~ **which** can be identified and where **the** costs are directly related to the level of service provided.
  - a. Charges for providing utility services shall be sufficient to finance all operating, capital outlay, and debt service expenses of the City's enterprise funds, including operating contingency, planned capital improvements, and reserve requirements.
  - b. The City will strive to maintain user charges at a level to fund the direct cost of development review and building activities. User charges include, but are not limited to, land use, engineering inspection, building permit and building inspection fees.
  - c. Park recreation programs shall be funded by a users' charge. User charges shall be comparable to other neighboring cities where practical.
  - d. Other reimbursable work performed by the City (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.
  - e. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The City shall maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees, charges, and utility rates will be reviewed every three years at a minimum.
  - f. The City will consider market rates ~~and charges~~ levied by other municipalities for ~~like~~ **similar** services in establishing rates, fees, and charges.
  - g. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.
9. Grant sources of revenue will be acquired and used whenever possible. Grant funding for programs or items which address the City's current priorities and policy objectives should be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.
10. Before accepting any grant the City shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.
11. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor.
12. Gifts and donations when accepted by the City shall be managed and expended in ~~accordance~~ with the wishes and instructions of the donor.
12. **City staff will** follow the Cash Receipts and Cash Handling Policies and Procedures as adopted ~~by Resolution No. 532~~ **herein**, included in Appendix A.

## **Expenditures**

**The City will** identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

1. The City will strive to adopt an annual budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.
2. Department Heads are responsible for managing their budgets within the total appropriation for their department.
3. The City will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. The City Council may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
4. Long-term debt or bond financing shall not be used to finance current operating expenditures.
5. The City will assess funds for services provided internally by other funds. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund.
6. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The City will invest in technology and other efficiency tools to maximize productivity. The City will hire additional staff only after the need for such positions has been demonstrated and documented.
7. All compensation planning and collective bargaining will focus on the total cost of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the City.
8. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.
9. Whenever feasible, government activities will be considered enterprises if so doing will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.
10. The City will make every effort to maximize any discounts offered by creditors/vendors.
11. The City shall follow the Disbursement Policy as adopted by ~~Resolution No. 532~~ **herein** included in Appendix A.

## **Purchasing**

The City shall commit to the following guidelines:

1. Comply with all federal, state, and local laws, adopted codes, ordinances, and stated policies in its procurement process.
  - a. Federal Funds. When procurement involves the expenditure of federal funds, purchasing shall be conducted in accordance with any applicable federal laws or regulations.

- b. Grants. When procurement involves the expenditure of a grant, purchasing shall be conducted in accordance with any applicable grant laws or regulations.
  - c. Emergency procurement. The Mayor or his/her designated agent may make or authorize others to make emergency procurements of materials, supplies, equipment or services when there exists a threat to public health, welfare, or safety. State laws relating to emergency purchases will be followed.
2. Buy competitively and wisely to obtain maximum value for the community's dollars ~~spent~~.
  3. Afford all bidders an equal opportunity to quote and compete on equal terms.
  4. Initiate and promote good, continuous vendor relations, as well as, reliable **alternative** sources of supply.
  5. Buy from suppliers who maintain adequate financial strength, high ethical standards, a record of adhering to specifications and who will maintain integrity in payment terms, delivery and service.
  6. Follow the Public Works Projects Policy and Procedure as adopted by ~~Resolution~~ ~~No. 534~~ **herein**, included in Appendix A.

## Investments

It is the policy of the City of Kalama to invest its public funds in a manner which will provide the highest investment return consistent with a high degree of security while meeting the daily cash flow demands of the City and conforming to all state statutes and local ordinances governing the investment of public funds. This policy on investment applies to the investment of all City funds excluding pension funds or trust accounts. The primary objective of investment activities shall be:

- 1) Safety of principal that seeks to minimize potential losses;
- 2) Liquidity of cash to sufficiently meet all operating requirements; and
- 3) Return on Investment that allows for the highest market rate of return throughout budgetary and economic cycles.

The City of Kalama's authorized investment officers will perform their duties in a manner consistent with the standard of a "prudent person," as defined in RCW 43.250.040. A prudent person is defined as "exercising the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital." Investment officers include the Mayor, ~~Clerk-Treasurer~~ **City Administrator** and the ~~Deputy~~ Clerk/Treasurer.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The City may invest in any of the securities identified as eligible investments as defined by RCWs: 35.59.020, 39.59.030, 35.39.030 and 43.84.080. These include: Certificates of Deposit, United



States Securities, Bankers' Acceptances, Repurchase Agreements and Certificates, and Notes and Bonds of the State of Washington. The City may also create investment accounts with the Local Government Investment Pool per RCW 43.250.040. Speculative investments are not allowed.

Investment transactions shall be conducted with approved broker/dealers selected by credit worthiness and other selection criteria. Broker/dealers must be registered to provide investment services in the State of Washington.

The policy shall be to assure no single institution or security is invested into, to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.

### **Reserve Fund Policies**

Adequate reserve levels are a necessary component of the City's overall financial management strategy and key factor in external agencies' measurement of the City's financial strength.

1. The City will maintain operating reserves to address temporary revenue shortfalls; payment of approved expenditures due to cash flow shortage; reserves for expenditures deemed necessary by the Mayor and City Council; temporary short-term interfund loans, and other unanticipated expenses as approved by the City Council.
2. Contributions to Improvement Reserve Funds will be made from available funds as identified in the annual budget, or amended budget at the end of the year. The Clerk/Treasurer shall make a recommendation to the Council with regard to transfers to reserve funds. The Council, by motion (and amending the budget by ordinance as necessary) shall authorize the transfers, as the Council shall determine to be appropriate at that time.
3. All expenditures drawn from reserve accounts shall require prior City Council approval unless previously specifically authorized by the City Council for expenditure in the annual budget.

### **Fixed Assets**

It is the policy of the City to maintain accountability over all tangible fixed assets having a life expectancy exceeding one year and costing \$3,000 or more. This policy also includes those assets of a lesser value that may be attractive to theft. The Clerk/Treasurer shall maintain the asset records. The asset records shall be verified by a physical inventory at least once a year. Fixed assets are maintained for both the General Government and Enterprise funds. This policy applies to all land improvements, all buildings and building renovations, equipment purchased, and additions to existing equipment that increases its useful value and all donated items. Adequate insurance will be maintained on all capital assets.

The City of Kalama reports on a cash basis which is a departure from Generally Accepted Accounting Principles (GAAP). The City is not required to account for depreciation.

### **Capital Facilities Plan**

1. The City shall develop an annual Capital Facilities Plan (CFP) which is consistent with the City Comprehensive Plan. The plan shall be for a period of six years.
2. The CFP shall include all projects to maintain improve or replace public capital facilities required to maintain service levels at standards established by the City Council and government regulations. It may also include for consideration such other projects as requested by the Mayor or City Council.
3. The CFP shall provide information on each capital project including estimated costs and sources of financing if funded.
4. The City shall finance only those capital improvements that are consistent with the adopted CFP and City priorities. All capital improvement operating and maintenance costs will be included in operating budget forecasts.

## **Debt Management**

The City establishes guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues

### **1. Short Term Debt**

Short-term debt covers a period of two years or less.

The City may use short-term debt to cover temporary cash flow shortages that may be caused by a delay in receiving revenues or issuing long-term debt.

The City may issue Interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available, and the use of those funds will not impact the fund's current operations. All short-term borrowing will be subject to Council approval by ordinance or resolution, and will bear interest based upon the current bank rates for funds held in the State Investment Pool.

### **2. Long Term Debt**

The City will not use long-term debt for current operations. The City will confine long-term borrowing to capital improvements that cannot be financed from current revenue sources. Loans may be obtained to fund capital projects identified in the Capital Improvement Plan. Debt financing will not be undertaken without identification of a cash stream sufficient to repay the debt.

Acceptable uses of bond and loan proceeds can be viewed as items which can be capitalized and depreciated. Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.

The City will maintain communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.

# City of Kalama

## Financial Policies

### Appendix A

### Attachments

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# CITY OF KALAMA

## CASH RECEIPTS AND CASH HANDLING POLICY AND PROCEDURES

**PURPOSE:** This policy is established to ensure the internal control over and the proper, efficient and accurate receipting of all funds received by the City. These policies are for compliance with all applicable regulations regarding the various tax revenues and other funds received by the City.

**SCOPE:** This policy applies to all revenues including payment of funds due the City or any department thereof, fees for services, tax revenues, grant or loan proceeds, donations, and any and all monies paid to the City or any department thereof.

**GENERAL GUIDELINES:** All money received by the City must be receipted in by the Finance Department. Payments should be directly received either through direct mail, **electronic funds transfer**, or in person at the front counter in the Finance Department. When not possible for funds to be directly received by the Finance Department, then the appropriate receipting procedures are to be followed and the numbered receipts are to be used. All receipts should be input into the budget line items as accurately as possible. Receipts will be balanced and deposited on a daily basis. **The City Council grants an exception to the daily deposit requirements of RCW 43.09.240 provided that all funds are held under proper safekeeping; at no time will the City hold more than \$25,000 for over 24 hours prior to deposit; and deposits will be made at least once a week.**

Payments to the City should be sent to:

City of Kalama  
Finance Department  
P.O Box 1007  
Kalama, WA 98625

### **RESPONSIBILITIES:**

**A.** The clerks in the Finance Department are responsible to receipt and input all revenues into the accounting system of the City. This includes accurately recording the revenues to the appropriated fund and line items of the budget. Any backup documentation for the revenue should be provided for the monthly file. All cash transactions should have a hard copy treasurer's receipt printed.

**B.** Utility payments are receipted in using the pay stub. Cash transactions require a treasurer's receipt be printed. Utility payments received through the mail or in the drop box are opened and totaled by the clerk handling the mail. The payments are then provided to another clerk for input into the receipting system and verification of totals. Any cash payment found in the drop box needs to be verified by two clerks.

C. It is the responsibility of the Finance Department to provide numbered receipt books to those departments that on occasion must receipt in money. Voided receipts are to be retained in the receipt books. The Finance Department will audit the department receipt books on at least a quarterly basis.

D. Customers should be directed to make payments at City Hall during office hours (9 am to 5 pm Monday through Friday) whenever possible. When payments are taken directly by another department, the transaction requires a department receipt be completed whether payment is in cash or check. The payment and a copy of the receipt are to be taken as soon as possible but no later than the next business day to the Finance Department to be officially receipted in. The Finance Department will provide a copy of the treasurer's receipt for that transaction to be attached to the department receipt kept on file.

E. All receipts should contain the date of the transaction, the customer's name, the amount of the transaction, and the purpose of the transaction. A transaction from another department in which a receipt book receipt was issued should include that receipt number on the treasurer's receipt as well.

F. The till is balanced on a daily basis for deposit ~~by one of the Finance Clerks other than those in the front office~~ **combining all till drawers into one Daily Bank Deposit. Each Clerk or Department balances their own drawer and submits to the designated Clerk for final balance of the Daily Deposit.** It is balanced against the computer printout. The change in the till is balanced and an initialed tape is put in the drawer. The deposit should be taken to the bank ~~daily~~ **no less than once a week, provided that all funds are held under proper safekeeping; at no time will the City hold more than \$25,000 for over 24 hours prior to deposit.**

G. The deposit is to be kept in the vault until taken to the bank. The till is to be stored in the vault overnight.

H. When the front office is unoccupied for periods more than a few minutes, all drawers are to be locked and keys secured ~~the till is to be locked and the key secured.~~

### **Receipting Procedures for Money not Receipted at City Hall**

*Each Department of the City should have carbonized triplicate receipts imprinted with the Department name and pre-numbered. Customers should be sent to make payments at the City Hall Finance Department office during business hours. When payments are taken directly by the department a receipt should be completed. The original is for the customer, the second YELLOW copy is sent with the payment to the Finance Department and the third PINK copy is retained in the book by the Department.*

A. A customer may be sent to the Finance Department to make the payment and receive

a City receipt prior to a transaction being completed and no department receipt is required. Any payment received through the mail may be sent **unopened** to the Finance Department for receipt without a department receipt being completed. All monies received directly by the department must have a receipt written whether the payment is in cash or check.

B. The receipt must contain the date, the customer's name, the amount of the transaction and the reason for the transaction (ex. library card or fingerprinting). The customer address and any additional information would be optional.

C. The money and the yellow receipt are then taken as soon as possible, no later than the next business day, to the Finance Department to be officially receipted in. A City receipt will be returned to be attached to the department's pink copy in the receipt book or other department documentation. The Finance Department will note the department receipt number in the City receipting system for reference and on the City receipt. If a yellow receipt copy is not sent with the payment, a copy of the receipt needs to be attached with an explanation of what happened to the yellow receipt copy.

D. The Finance Department will conduct periodic reconciliations of the City's receipting records with the department receipt books to verify all transactions have been turned in to the City.

E. All copies of any voided receipt must be retained in the receipt book by the department.

# CITY OF KALAMA DISBURSEMENT POLICY

(Updated 12/2014)

## **PURPOSE:**

This policy is established in order to ensure internal control and timely, accurate payments of City bills, payroll and other obligations.

## **SCOPE:**

This policy applies to all disbursements including, but not limited to, payment to suppliers of goods and services, payments to employees for payroll or reimbursement of expenses, payments for debt service, issuing refunds, etc. These requirements are ~~in addition to policies concerning travel, use of credit cards, issue of payments prior to council approval~~ *a part of the City's adopted financial policies as well as* payroll policies contained in the personnel manual.

## **GENERAL GUIDELINES**

When ordering from vendors, tell the vendor to send the invoice to:

City of Kalama  
Accounts Payable  
P.O. Box 1007  
Kalama WA 98625

All questions regarding payments should be directed to Accounts Payable (360) 673-4908

Invoices received by accounts payable via the US Postal Service will be date-stamped and routed to department heads the day that they are received or as soon thereafter as possible. Certain invoices may be received directly by the department head or other staff, such as when items are picked up at will-call or services are performed on-site, with these invoices being forwarded within 24-hours to the accounts payable clerk.

Payments of claims will be made on the First and Third Thursdays of each month. All approved invoices must be returned to the Finance Department by the Tuesday prior to the payment date. *Manual warrants or ACH/EFT transaction issued prior to Council approval will be issue only on an exception basis and approved by the City Administrator or Clerk/Treasurer and included in the next scheduled Council approval process.*

## **RESPONSIBILITIES:**

- A. It is the responsibility of the accounts payable clerk to verify all invoices to receiving documents to ensure accuracy and to process all invoices for department head approval. Any discrepancy must be resolved with the vendor prior to processing for payment.
- B. The person receiving the goods or services must sign the receiving documents and transmit the documents to the accounts payable clerk on the date of receipt or as soon thereafter as possible. Payment cannot be issued if goods or services have not been received by the City.

C. Upon receipt of the invoices for approval, the department head is responsible to verify the expenditures, the account number for distribution, and identify the expense for reference.

D. Vouchers are to be prepared by the accounts payable clerk, a file list or register is run and totals verified. The file list or register should be reviewed and certified by the clerk/treasurer for accuracy of vendors, coding etc. The warrants or EFT/ACH payment file is are then prepared by the accounts payable clerk.

E. Responsibility for review and approval of time cards will be as follows:

Employees: By their supervisor/department head

Department heads: By the Mayor or City Administrator

City Administrator/Elected Officials by Mayor or Clerk/Treasurer

F. Upon receipt of the authorizations from City Vendors, the City will issue payments by electronic funds transfer (EFT) or automated clearing house (ACH) in lieu of printed warrants.

G. A voucher listings for claims and payroll will be presented to council for approval. This will include any manual warrants issued to meet payment deadlines or required to be processed immediately prior to the next regularly scheduled Council meeting and any voided warrants.

If the city council disapproves a claim, the Clerk/Treasurer will pursue collection diligently until the amounts disapproved are collected or until the City Council is satisfied and approves the claim.

H. All warrants will be reviewed and signed by the Mayor, or in his/her absence, the City Administrator of Mayor Pro Tem.

I. A copy of the warrant will be attached to the vouchers and original invoices upon issuing of the payment by the accounts payable clerk. A separate Direct Pay report will be kept for all EFT/ACH batches sent to the bank for payment along with a matching bank report and attached to the original invoices.

J. Warrant stock will be kept in a locked security file cabinet with limited access. Warrants shall be used in consecutive number order with spoiled or voided warrants marked “void” on the face.



## PUBLIC WORKS PROJECT PROCEDURES

**Step 1 Project Development** – The scope of work and the budget for the project is determined. Per RCW 35.23.352(5) in determining the cost of a public works project, all amounts for materials, supplies, equipment, and labor on the construction of that project must be included. This can be done either through the City Engineers, contracted engineers or through staff for smaller projects. The cost estimate of the project will determine how to proceed with bidding the project or whether it can be done in-house. Per RCW 35.23.352(1) second class cities with a population of less than 20,000 must call for bids whenever the cost of a public work will exceed \$65,000 if more than one craft or trade is involved or \$40,000 if only one craft or trade is involved. This RCW also prohibits the division of a project into units of work or classes of work to keep costs below the bidding threshold. How the project is to be funded may also be a factor in how the project is to be bid or completed. Small projects, including “in-house” projects not required to be bid, should have a project worksheet completed and provided to the Finance Department so a file can be started for the project. The cost limitations included within this document are current as of July 26, 2009 December 2014, but may be revised by State Laws thereafter.

**Step 2 Bidding** - Bids are requested either by formal advertisements or through the small works roster process. Formal bids require a full set of specifications and engineered drawings. The larger small works projects may also require the same specifications and drawings. A small works bid invitation shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished, but detailed plans and specifications are not required to be included in the invitation. This would be the same for bids under the limited public works process. All bid invitations must specify the work will be completed under prevailing wage laws plus all bonding and retainage requirements. The City can choose to waive the bonding and retainage requirements on smaller projects under \$35,000 but the City takes on the liability for any non-payment of wages and taxes by the contractor. See below for additional information on the small works roster process and exceptions to the bidding laws.

**Step 3 Bid Opening** – Upon receipt of all bids and at the time of bid closing the bids are to be opened. Bids should in most cases be submitted to the City Hall offices to be kept in the City vault. A formal bid opening on advertised bids is usually held in the Council Chambers and the preliminary results announced. Small works roster bids should be opened and/or reviewed by the Department Head in charge of the project and the Clerk/Treasurer and a record of the bids made. A list of the bid results is to be made available for public review.

**Step 4 Award of Bid** – The bid list is presented to the City Council for review. All bids for projects over \$20,000 must be awarded by the City Council. Projects under \$20,000 may be awarded by the Department Head in charge of the project, but that award must be ratified by the City Council at its next regular meeting.

**Step 5 Construction Phase** – Once the project is awarded, the work can begin. It depends upon the size and scope of the work to be done on how the project actually proceeds. Larger projects involving construction management will usually have a pre-construction meeting where all parties discuss the details of the projects and the paperwork requirements. Smaller projects being managed

by City department heads would proceed under their direction. The Clerk/Treasurer will contact the contractor to verify all the paperwork and official documentation requirements they will need to meet. No payment can be issued to a contractor until the minimum paperwork – a list of any and all subcontractors to be used, and the L&I statement of intent to pay prevailing wages – has been received by the City.

**Step 6 Project Completion** – Once the contractor has completed the work on the project, and all necessary paperwork is in place, the project can be accepted by the City. This can be done either by the Department Head on small projects or officially by the City Council. Once the City accepts the project, the 45 day waiting period for releasing the retainage begins. Upon project acceptance the Clerk/Treasurer will immediately submit the request to the State agencies for the required releases. Upon the end of the 45 days AND the receipt of all required releases, the City will release the retainage and close the project file.

### **SMALL WORKS ROSTER BIDS**

The City now uses MRSC Rosters when soliciting bids for small works. When eligible to use the small works roster, the City would obtain bids under the following as adopted by City Ordinance:

1. The City of Kalama shall obtain telephone, written or electronic quotations for public works contracts from contractors on the appropriate small works roster to assure that a competitive price is established and to award contracts to a contractor who meets the mandatory bidder responsibility criteria in RCW 39.04.350(1) and may establish supplementary bidder criteria under RCW 39.04.350 (2)

a) A contract awarded from a small works roster need not be advertised. Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation.

b) Quotations may be invited from all appropriate contractors on the appropriate small works roster. As an alternative, quotations may be invited from at least five contractors on the appropriate small works roster who have indicated the capability of performing the kind of work being contracted, in a manner that will equitably distribute the opportunity among the contractors on the appropriate roster. "Equitably distribute" means that the City of Kalama may not favor certain contractors on the appropriate small works roster over other contractors on the appropriate small works roster who perform similar services.

If the estimated cost of the work is from one hundred fifty thousand dollars (\$150,000) to three hundred thousand dollars (\$300,000) (or limits as revised by State Law), the City of Kalama may choose to solicit bids from less than all the appropriate contractors on the appropriate small works roster but must notify the remaining contractors on the appropriate small works roster that quotations on the work are being sought. The City of Kalama has the sole option of determining whether this notice to the remaining contractors is made by:

(i) publishing notice in a legal newspaper in general circulation in the area where the work is to be done;

(ii) mailing a notice to these contractors; or

(iii) sending a notice to these contractors by facsimile or email.

c) At the time bids are solicited, the City of Kalama representative shall not inform a contractor of the terms or amount of any other contractor's bid for the same project;

d) A written record shall be made by the City of Kalama representative of each contractor's bid on the project and of any conditions imposed on the bid. Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.

4. **Limited Public Works Process.** If a work, construction, alteration, repair, or improvement project is estimated to cost less than thirty-five thousand dollars (\$35,000) (or limits as revised by State Law), the City of Kalama may award such a contract using the limited public works process provided under RCW 39.04.155 (3). For a limited public works project, the City of Kalama will solicit electronic or written quotations from a minimum of three contractors from the appropriate small works roster and shall award the contract to the lowest responsible bidder as defined under RCW 39.04.010. After an award is made, the quotations shall be open to public inspection and available by electronic request.

For limited public works projects, the City of Kalama may waive the payment and performance bond requirements of chapter 39.08 RCW and the retainage requirements of chapter 60.28 RCW, thereby assuming the liability for the contractor's nonpayment of laborers, mechanics, subcontractors, material men, suppliers, and taxes imposed under Title 82 RCW that may be due from the contractor for the limited public works project. However, the City of Kalama shall have the right of recovery against the contractor for any payments made on the contractor's behalf.

The City of Kalama shall maintain a list of the contractors contacted and the contracts awarded during the previous 24 months under the limited public works process, including the name of the contractor, the contractor's registration number, the amount of the contract, a brief description of the type of work performed, and the date the contract was awarded.

#### **EXCEPTIONS TO THE BIDDING LAWS – Taken from the MRSC Bidding Book, 2006 Edition**

The statutes contain exceptions to the previously discussed bidding requirements.

- Cities are not required to advertise for bids when the desired product is clearly and legitimately limited to a single source of supply.
- Bids are not necessary in the event of an emergency.
- Cities may not be required to seek bids if there are “special facilities or market conditions.”
- Pollution control facilities and some neighborhood “self-help” projects may be exempt from bidding requirements.
- Cities may hire the county to do road projects without going out for bids.

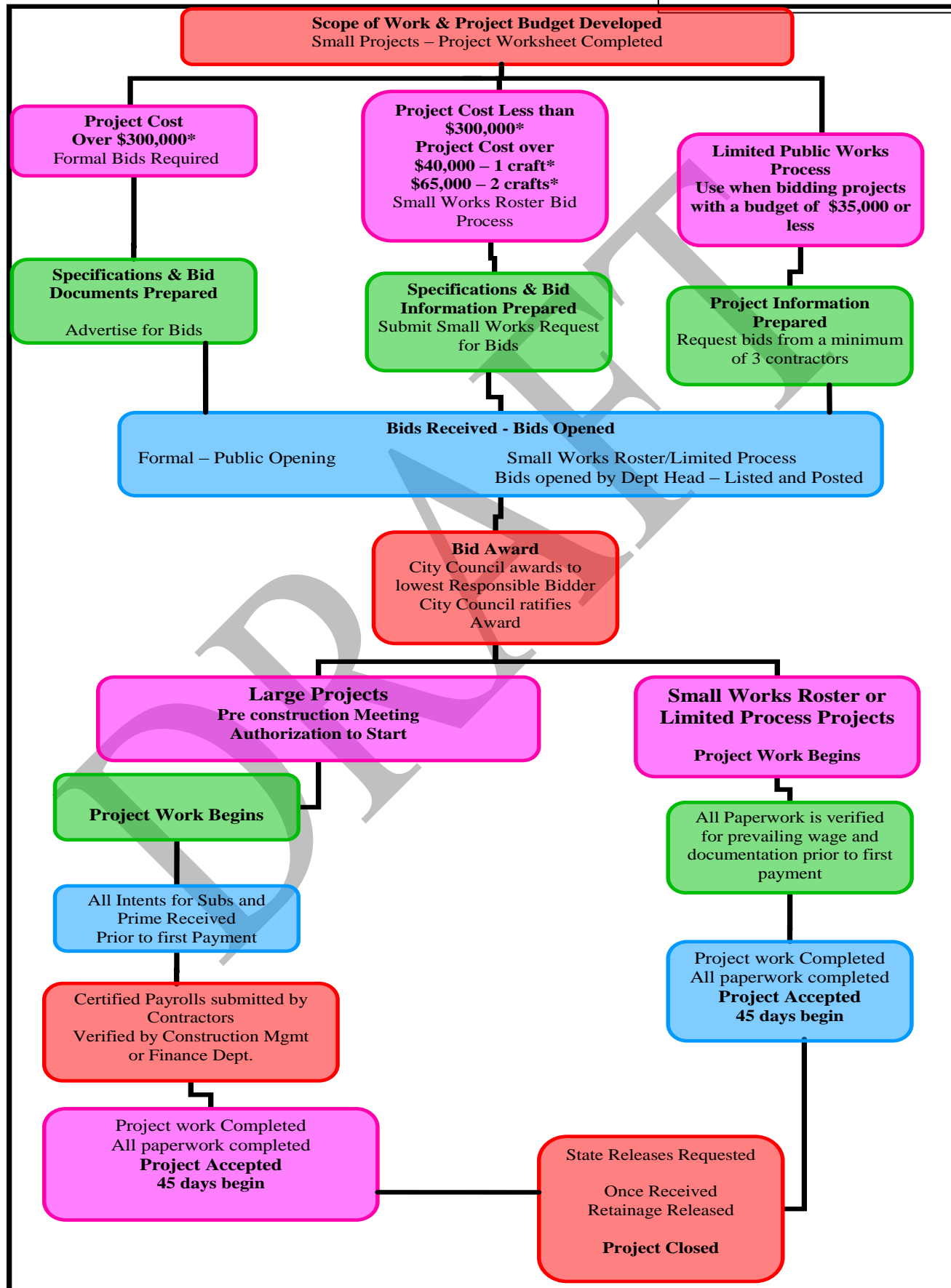
If you think your project or purchase falls under one of the exceptions to the bid law, think again. The bid laws are there for a reason – to try to ensure that cities get the best buy for their money. **Many of the projects or purchases that a city might consider to fall within exceptions are in the “gray” area of the**

**law. If there is any doubt, your city should check with its auditor.** See the RCW's and/or MRSC Bidding Book for additional details.

DRAFT

**CITY OF KALAMA  
PUBLIC WORKS PROJECT PROCEDURES**

**APPENDIX A – PAGE 3**



\* Limitations as set by State Laws