

CITY COUNCIL AGENDA

15728 Main Street, Mill Creek, WA 98012 (425) 745-1891



Pam Pruitt, Mayor • Brian Holtzclaw, Mayor Pro Tem • Mark Bond
Mike Todd • Vince Cavaleri • John Steckler • Stephanie Vignal

Regular meetings of the Mill Creek City Council shall be held on the first, second and fourth Tuesdays of each month commencing at 6:00 p.m. in the Mill Creek Council Chambers located at 15728 Main Street, Mill Creek, Washington. Your participation and interest in these meetings are encouraged and very much appreciated. We are trying to make our public meetings accessible to all members of the public. If you require special accommodations, please call the office of the City Clerk at (425) 921-5725 three days prior to the meeting.

The City Council may consider and act on any matter called to its attention at such meetings, whether or not specified on the agenda for said meeting. Participation by members of the audience will be allowed as set forth on the meeting agenda or as determined by the Mayor or the City Council.

To comment on subjects listed on or not on the agenda, ask to be recognized during the Audience Communication portion of the agenda. Please stand at the podium and state your name and residency for the official record. Please limit your comments to the specific item under discussion. Time limitations shall be at the discretion of the Mayor or City Council.

Study sessions of the Mill Creek City Council may be held as part of any regular or special meeting. Study sessions are informal, and are typically used by the City Council to receive reports and presentations, review and evaluate complex matters, and/or engage in preliminary analysis of City issues or City Council business.

Next Ordinance No. 2019-850

Next Resolution No. 2019-579

**May 7, 2019
City Council Meeting
6:00 PM**

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

- A. Introduction of City Manager Michael Ciaravino

AUDIENCE COMMUNICATION

- B. Public comment on items on or not on the agenda

PRESENTATIONS

- C. Proclamation: Music4Life
- D. Proclamation: Public Works Week

OLD BUSINESS

- E. Financial Management Policies

(Peggy Lauerman, Director of Finance & Administration)

NEW BUSINESS

- F. Puget Sound Energy Fee in Lieu Agreement with the City of Mill Creek
(Gina Hortillosa, Director of Public Works & Development Services)

CONSENT AGENDA

- G. City Council Meeting Minutes of January 8, 2019
H. City Council Meeting Minutes of January 22, 2019

REPORTS

- I. Mayor/Council
 - Snohomish County Tomorrow (SCT) Letter
- J. City Manager
 - Council Planning Schedule
- K. Staff
 - Quarterly Sponsorship Report
 - Quarterly Financial Report
 - Design Review Board Meeting Minutes of February 21, 2019
 - Planning Commission Meeting Minutes of March 21, 2019

AUDIENCE COMMUNICATION

- L. Public comment on items on or not on the agenda

RECESS TO EXECUTIVE SESSION

(Confidential session of the Council)

- M. To discuss potential litigation pursuant to RCW 42.30.110(1)(i)

Action may or may not be taken.

ADJOURNMENT

Proclamation

WHEREAS, the benefits of participation in instrumental music at any age can last a lifetime; and

WHEREAS, music education is an integral part of a well-rounded education that prepares students for success in life by teaching teamwork and discipline; and

WHEREAS, musical education helps facilitate learning in other subjects and enhances children's life skills; and

WHEREAS, the cost of owning or renting an instrument is a barrier preventing students from low income families from participating in instrumental music; and

WHEREAS, many adults have lovingly-used musical instruments stored in their garages or attics that they no longer use; and

WHEREAS, *Music4Life* is a non-profit organization that repaired and provided ready-to-play musical instruments to participating public schools for use by students in need since 2007; and

WHEREAS *Music4Life* has provided approximately 300 musical instruments to children in Everett Public Schools, including 40 to those attending Jackson High School and Heatherwood Middle School in Mill Creek.

NOW, THEREFORE, I, Pam Pruitt, the Mayor of the City of Mill Creek, on behalf of the City Council do hereby recognize the great work of *Music4Life* and designate the month of May as *Music4Life* month.



Signed this 7th day of May, 2019

Pam Pruitt, Mayor

Attest _____
Gina Pfister, City Clerk

Bob Stowe, Interim City Manager

Proclamation

WHEREAS, public works professionals focus on infrastructure, facilities and services that are of vital importance to sustainable and resilient communities and to the public health, high quality of life and well-being of the people of Mill Creek; and,

WHEREAS, the City's infrastructure, facilities and services could not be provided without the dedicated efforts of public works professionals, who are engineers, managers and employees at all levels of government and the private sector, who are responsible for rebuilding, improving and protecting our City's transportation, public buildings, other structures, parks and facilities essential for our citizens; and

WHEREAS, the Public Works maintenance crew works diligently above and beyond regular work hours to care for the City on nights, weekends, and during emergencies; and

WHEREAS, the knowledge and understanding of the community greatly influences the results that are attained by the qualified and dedicated employees of the City of Mill Creek Public Works and Community Services Department; and

WHEREAS, it is in the public interest for the citizens, civic leaders and children in Mill Creek to gain knowledge of and to maintain a progressive interest and understanding of the importance of public works and public works programs in our community; and

WHEREAS, the year 2019 marks the 59th annual National Public Works Week sponsored by the American Public Works Association.

NOW, THEREFORE, I, Pam Pruitt, the Mayor of the City of Mill Creek, on behalf of the City Council do hereby announce and proclaim to all citizens, that May 19-25, 2019, is Public Works Week. I urge all citizens to recognize our public works professionals for the substantial contributions they make to protecting and enhancing our community's safety and quality of life.



Signed this 7th day of May, 2019

Pam Pruitt, Mayor

Attest _____
Gina Pfister, City Clerk

Bob Stowe, Interim City Manager



Agenda Item # E

Meeting Date: May 7, 2019

CITY COUNCIL AGENDA SUMMARY

City of Mill Creek, Washington

AGENDA ITEM: FINANCIAL MANAGEMENT POLICIES

PROPOSED MOTION:

Adoption of the City's Financial Management Policies.

KEY FACTS AND INFORMATION SUMMARY:

The City's financial goals seek to ensure the financial integrity of the City; manage the financial assets in a sound and prudent manner; improve financial information for decision makers at all levels; maintain and further develop programs to ensure the long-term ability to pay all costs necessary to provide the level and quality of service required by the citizens; and maintain a spirit of openness and transparency while being fully accountable to the public for the City's fiscal activities.

The City Council discussed the Financial Management Policies presented during a study session on April 23, 2019. Minor clerical revisions have been incorporated in the policies since the study session.

The financial management policy document incorporates the following substantive changes from the budget:

Revenue Policies

- 7.6 Surface Water Utility – Language added regarding generally accepted rate setting techniques and frequency of conducting a rate study i.e. review and update every 5 years.

Capital Management Policies

- 9.1-9.4 Added suggested language to strengthen policies to improve bond ratings.
- 9.9-9.11 Policy language that defines asset capitalization thresholds of \$5,000 with a useful life that is greater than one year and the accounting of assets that fall below this threshold.

Debt Management

- 10.0 Comprehensive policy created to:
 - Identify roles and responsibility of city staff related to debt financing
 - Identify compliance with continuing disclosure undertakings pursuant to SEC Rule 15c2-12 for future Bond issues,
 - Apply and promote prudent fiscal practices

City Council Agenda Summary
Page 2

Investment Policy

- 11.0 Comprehensive update to the City's Investment and Cash Management; CCP97-007.

Reserve Fund Policies

- 12.1 Definition of available reserves.
- 12.2 Inclusion of fund balances in the biennial budget.
- 12.3 Defines surpluses and the uses of the General Fund Operating Reserve and remedy if reserves fall below stated threshold.
- 12.6 Surface Water Utility Fund Reserve
 - Incorporates Operating, Capital & Debt reserves recommended as a result of the rate analysis.
 - Sets target for parity debt service coverage ratio.
- 12.11 Provides for additional reserves which may be created by the City Council for specific purposes or special projects or as general operations reserves.

Accounting, Auditing, and Financial Reporting Policies

- 14.4 Identifies reporting requirements.
- 14.6 Identifies the establishment and maintenance of an asset listing for the Surface Water Fund.

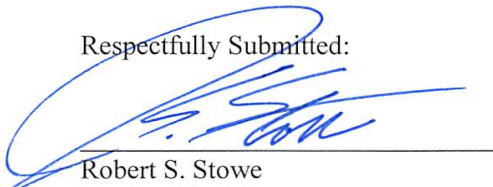
CITY MANAGER RECOMMENDATION:

Approve the proposed updates and consolidation of the Financial Management Policies.

ATTACHMENTS:

- Attachment A: Financial Management Policies 300-03
- Attachment B: Debt Management Policy 300-04
- Attachment C: Investment Policy 300-05
- Attachment D: Redline version of Policy 300-03; 300-04
- Attachment E: Investment and Cash Management Policy CCP 97-007

Respectfully Submitted:



Robert S. Stowe
Interim City Manager

ATTACHMENT A



FINANCIAL POLICY

Subject: FINANCIAL MANAGEMENT POLICIES	Index: Department Finance and Administration Number: 300-03
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

The City of Mill Creek is accountable to its citizens for the use of public dollars. Municipal resources must be used wisely to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. The City of Mill Creek is committed to the highest standards of responsible financial management. The City, including the City Council, City Manager and staff will work together to ensure that all financial matters of the City are addressed with care, integrity, and in the best interest of the City.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency, and effectiveness.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions.

3.0 REFERENCE:

MCMC Chapter 3.02: General Financial Administration
 RCW 35A.33.135 City Budgeting
 RCW 36.70A.070 Comprehensive plans
 Debt Management Policy 300-04
 Investment Policy 300-05

4.0 FINANCIAL POLICIES

The City of Mill Creek’s financial management policies address the following major areas:

5.0 General Policies	10.0 Debt Policies
6.0 Operating Budget Policies	11.0 Investment Policies
7.0 Revenue Policies	12.0 Special Revenue Fund Policies
8.0 Expenditure Policies	13.0 Reserve Policies
9.0 Capital Management Policies	14.0 Accounting, Auditing, and Financial Reporting Policies

5.0 General Policies

5.1 The City Council may adopt resolutions and ordinances to set financial policies to assure the financial strength and accountability of the City.

5.2 The City Manager, or designee, shall develop administrative directives and general procedures for implementing the City Council’s financial policies.

5.3 All City departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected revenues, and future service requirements.

6.0 Operating Budget Policies

The goals of the budget process are: Align the budget with citizen priorities, measure progress towards priorities, obtain the best value for each tax dollar, foster continuous learning in the City, and build regional cooperation.

6.1 The operating budget shall serve as the City’s comprehensive two-year financial plan which provides for the desired level of City services as defined by the City’s priorities. It will serve as the policy document of the City Council for implementing Council goals and objectives.

6.2 In order to facilitate the biennial budget development process and 6-year Capital Improvement Plan, the City Manager should propose a combined biennial budget and capital development calendar at the first regular Council meeting in March, in even years.

6.3 The City Council will adopt and maintain a balanced biennial operating budget.

6.4 The City of Mill Creek defines a balanced budget as current biennium revenues (including fund balances) being equal to or greater than current biennium budgeted expenditures.

6.5 The City will strive to adopt a budget where current biennial operating revenues will be equal to or greater than current operating expenditures.

6.6 All general government current operating expenditures should be paid from current revenues and cash carried over from the prior biennium in excess of the adopted reserve level. The City will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.

6.7 Revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass six years and will be updated as needed but no less than biennially.

6.8 Biennial operating budgets should provide for design, construction, maintenance and replacement of the City's capital, facilities, and equipment consistent with the Capital Improvement Plan including the related cost for operating and maintenance.

6.9 The City should maintain all of its assets at a level that protects the City's capital investment and minimizes future maintenance and replacement costs.

6.10 One-time revenues should be used for one-time/non-recurring expenditures.

6.11 One-time construction sales tax from the General Fund should be transferred into the Capital Improvement Project Fund in accordance with the City's adopted Capital Improvement Plan to help support future capital needs associated with the increased residential and commercial populations.

6.12 All supplemental budget modifications (appropriations requested after the original budget is adopted) including staff additions should conform to the City's budget policies and be carefully considered. All budget modifications will conform to these operating budget policies.

7.0 Revenue Policies

Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

7.1 Mill Creek strives to maintain as diversified and stable of a revenue system as permitted by state law to shelter the City from short-run fluctuations in any one revenue source.

7.2 Major General Fund revenue streams are impacted by fluctuations in the local, regional and national economies, and therefore, Mill Creek's revenue estimates should be conservative and avoid speculation.

7.3 The City will estimate its biennial revenues through an objective, analytical process using best known economic data.

7.4 The City strives to establish user fees and charges at a level related to the cost of providing the service and within policy parameters established by the City Council.

7.5 In each odd numbered year, the City should review and adjust user fees for the effects of inflation and other costs or legislative factors as appropriate. The City will set fees for user activities in accordance with cost recovery policies adopted by Council.

7.6 Surface Water Utility-The City will strive to set rates at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets. Additionally, for analysis and rate modeling purposes, the proposed rates shall also take into account debt service commitments.

- a. The analysis associated with "generally accepted" rate-setting techniques includes the following:
- Revenue Requirement Analysis – Establishes the overall level of financial and rate needs of the City.
 - Cost of Service Analysis – Design rates to collect the appropriate level of revenue and to meet the goals and policies of the City.
- b. At a minimum, a rate study should be reviewed and updated every 5 years.

7.7 The City will account for revenues according to City policy, state statute, and as prescribe by the State Auditor's Office.

8.0 Expenditure Policies

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.

8.1 The City budget will provide for a sustainable level of service that strives to achieve City goals.

8.2 The City's operating budget will not use one-time revenues to support ongoing expenditures.

8.3 The City will account for expenditures according to City policy, state statute and as prescribed by the State Auditor's Office.

8.4 Written cost allocation plans will be developed and incorporated into the City budget as needed. The cost allocation plan will be the basis for distribution of general government costs to other funds or capital projects (also known as indirect costs).

9.0 Capital Management Policies

Review and monitor the state of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

9.1 The City of Mill Creek will develop a Capital Facilities Plan (CFP) as defined and required by RCW 36.70A.070. The plan shall be for a period of six years.

9.2 The CFP together with the City's Capital Improvement Plan (CIP) will include all projects to maintain public capital projects required to maintain service levels at standards established by the City Council. It may also include for consideration such other projects as requested by the City Council.

9.3 The CFP/CIP will provide a full description and details on each capital project including estimating costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance and other outside resources whenever possible.

9.4 The City will finance only those capital improvements that are consistent with the adopted CIP and City budget priorities. All capital improvements will include operations and maintenance costs and the plan will be updated every biennium.

9.5 A capital project is defined as new, replacement of, or improvements to infrastructure, (e.g. buildings, roads, parks) that has a minimum life expectancy of five years and a minimum cost of \$25,000.

9.6 One-time revenues should be transferred into the CIP Fund at the end of a biennium. One-time revenues are those receipts that are easily identifiable due to the magnitude of the revenue and are not expected to reoccur, such as one-time development related revenues (e.g., construction sales tax on large buildings). The City recognizes that during each budget cycle, Mill Creek receives a recurring base amount of development related revenues that should not be transferred out of the City's General Fund.

9.7 The City will transfer a portion of the City's General Fund Reserve above an amount which is needed to respond to economic fluctuations, cash flow needs, and catastrophic events. At the end of each biennium, the City will transfer 33% of all reserve funds above the General Fund Reserve minimum for capital project investment.

9.8 The CIP includes a CIP Contingency in which a minimum of 10% of projected revenues from Real Estate Excise Tax (REET) should be designated for this fund to be used to support Transportation, Parks and Trails, and City Facilities and Equipment. It is at Council's discretion that these funds can be appropriated toward currently unidentified projects, toward approved projects that are underfunded or toward unexpected increases in planned projects.

Capital Asset Management

9.9 The City will maintain its capital assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.

9.10 The capitalization threshold used in determining if a given asset qualifies for capitalization is \$5,000 per item with a useful life of over one year. All capital assets shall have a City of Mill Creek property tag affixed to it when placed into service.

9.11 Minor equipment that falls below the \$5,000 threshold but is subject to shrinkage shall have City of Mill Creek property tag affixed to it when placed into City service and will be accounted for on the "Small and Attractive" inventory list.

10.0 Debt Management Policies

See Debt Management Policy 300-04

11.0 Investment Policies

See Investment Policy 300-05

12.0 Reserve Fund Policies

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the City's credit as well as its financial position from emergencies.

12.1 At the end of each biennium, the remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the City.

12.2 The City will include all fund balances in the biennial budget.

12.3 General Fund Operating Reserve

This reserve sets aside funds (15 percent of the General Fund's budgeted revenues for the ensuing biennium) to respond to economic fluctuations, catastrophic events and unanticipated cash flow needs.

- a. At the end of a budget cycle, a third of any surplus reserve should be transferred to the Capital Improvement Plan (CIP) Fund for future capital investment.
- b. A surplus is defined as the difference between the actual beginning fund balance and the budgeted beginning fund balance.
- c. Biennium surpluses in the General Fund Operating Reserve may remain in the General Fund Operating Reserve, appropriated and used to fund one-time operations and capital expenditures if:
 - Surplus balances remain after all current expenditure obligations and reserve requirements are met.
 - The City has made a determination that revenues for the ensuing biennium are sufficient to support budgeted General Fund operations.
- d. If reserves are used for their intended purpose and spent down below the 15 percent reserve requirement, the City will develop a written fiscal strategy to reinstate the required 15 percent reserve.

9.11 Minor equipment that falls below the \$5,000 threshold but is subject to shrinkage shall have City of Mill Creek property tag affixed to it when placed into City service and will be accounted for on the "Small and Attractive" inventory list.

10.0 Debt Management Policies

- † See Debt Management Policy 300-04

11.0 Investment Policies

- † See Investment Policy 300-05

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- b. A surplus is defined as the difference between the actual beginning fund balance and the budgeted beginning fund balance.
- c. Biennium surpluses in the General Fund Operating Reserve may remain in the General Fund Operating Reserve, appropriated and used to fund one-time operations and capital expenditures if:
 - Surplus balances remain after all current expenditure obligations and reserve requirements are met.
 - The City has made a determination that revenues for the ensuing biennium are sufficient to support budgeted General Fund operations.
- d. If reserves are used for their intended purpose and spent down below the 15 percent reserve requirement, the City will develop a written fiscal strategy to reinstate the required 15 percent reserve.

12.4 CIP Contingency Reserve

A minimum of 10% of projected revenues from Real Estate Excise Tax (REET) should be designated as a Capital Improvement Plan (CIP) Contingency Reserve to be used to support transportation, parks and trails, City facilities and new capital equipment projects. REET receipts fluctuate from year to year based on the transfer of property ownership in Mill Creek. Although staff projects this revenue stream conservatively, it is still prudent to maintain an adequate CIP Contingency Reserve and not allocate or appropriate these monies until they are actually received. Only Council can approve spending down funds in the CIP Contingency Reserve.

12.5 City Hall North

The City will maintain an operating reserve of 5%.

12.6 Surface Water Utility Fund ReservesOperating:

The City shall strive to maintain adequate reserves in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies.

The City's goal is to achieve a year-end minimum balance target of 120 days (33%) of total annual operating expenditures excluding transfers. In any year where operating reserves exceed the target, i.e. 120 days of operating expenses, it is assumed that the excess cash is swept into the capital account to help pay for capital projects.

Capital Reserves:

This reserve provides a source of emergency funding for unexpected asset failures or other unanticipated capital needs. It can also help the utility address cash flow issues related to capital projects. The City's goal is to achieve a target balance of \$500,000.

Revenue Bond Reserve:

Bond reserves shall be created and maintained by the Surface Water Utility Fund in accordance with any provisions set forth in the bond covenants. These shall be in addition to the reserves described above.

Parity Debt Service Coverage Ratio:

The City shall strive to maintain a minimum target goal for parity debt service coverage ratio, gross revenue of the utility less operating and maintenance expenses, (not including depreciation, taxes and debt payments) of 2.00 times or higher on the combined parity annual debt service payments.

12.9 Equipment Replacement Fund

The City shall maintain an Equipment Replacement Fund for fleet, capital equipment and general asset replacement. The Equipment Replacement Fund should be maintained at a level sufficient to meet scheduled equipment replacement so as to sustain an acceptable level of municipal services and prevent a physical deterioration of City assets.

Contributions will be made through assessments to the operating departments and maintained on a per asset basis.

12.10 Unemployment Compensation and Self Insurance Reserve Fund

This fund will be maintained to accumulate reserves for unanticipated claims for unemployment compensation and/or the City's property damage coverage, liability and automobile insurance deductibles.

12.11 Additional Reserves

The City Council may create additional reserve accounts to set aside funds for specific purposes or special projects for known significant future expenditures, or as general operational reserves.

13.0 Special Revenue Policies

13.1 The City will establish and maintain Special Revenue Funds to account for the proceeds of restricted revenue streams that have legally specified uses in accordance with the Government Finance Officers Association (GFOA) guidelines and best practices.

13.2 Special Revenue Funds should have biennial operating budgets, be reviewed through the normal budget process, and be included in the City's budget document.

14.0 Accounting, Auditing, and Financial Reporting Policies

Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes 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.

14.1 The City will maintain revenue and expenditure categories according to state statute and administrative regulation. The City will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classification.

14.1 The City of Mill Creek will ensure that City records are audited annually or as directed by the State Auditor's Office (SAO) and these audits will result in the issuance of a financial opinion. Audit results are available on the SAO website.

14.2 The City of Mill Creek will establish and maintain a high standard of internal controls and accounting practices overseen by the Finance Director.

14.3 The City accounts for revenues and expenditures on a cash basis.

14.4 Reports on revenues and expenditures will be prepared monthly and budget reports showing the current status of revenues and expenditures will be prepared and reviewed quarterly with City Council and made available for public inspection.

14.5 A fixed asset system will be maintained to identify City assets, their location, and their condition for all general government and internal service funds.

14.6 The City will strive to establish and maintain an asset listing of existing infrastructure by estimating the existing asset infrastructure, including annual depreciation for the Surface Water Fund.

ATTACHMENT B

	<p>FINANCIAL MANAGEMENT POLICY</p>
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Subject: DEBT MANAGEMENT POLICY	Index: Finance Department Number: 300-04
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

The Debt Policy for the City of Mill Creek (City) is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth guidelines for the issuance and management of all financings of the City. Adherence to the policy is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations while providing flexibility and preserving financial stability.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions

3.0 REFERENCE:

N/A

4.0 POLICY:

4.1 Uses of Debt

4.1.1 The City of Mill Creek uses debt as a mechanism to equalize the costs of needed capital improvements for the benefit of both present and future citizens.

4.1.2 The City of Mill Creek uses debt as a mechanism to reduce the immediate costs of substantial public improvements.

4.1.3 The City of Mill Creek should not use long-term debt to support current operations.

4.1.4 The City may use short-term debt to cover temporary cash flow shortages, which may be caused by a delay in receipting tax revenues or issuing long-term debt. The City will not use short-term debt for current operations.

4.1.5 Long-term borrowing (greater than three years) should only be used for capital improvements that cannot be financed from current revenues.

4.1.6 Non-capital furnishings, supplies, and personnel should not be financed from bond proceeds.

4.1.7 Interest, operating, and/or maintenance expenses should be capitalized only for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.

4.1.8 Lease purchase financing may be used when the cost of borrowing or other factors make it in the City's best interest.

5.0 Debt Limits

5.1 Legal Limits:

5.1.2 General obligation debt of Mill Creek shall not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City. RCW 39.36.020

5.1.3 The following individual percentages shall not be exceeded in any specific debt category:

- i. General Purpose Debt
- ii. Non-Voted; 1.5% of assessed valuation Limited Tax General Obligation (LTGO) Bonds
- iii. Voted; 2.5% of assessed valuation Unlimited Tax General Obligation (UTGO) Bonds (with voter approval)
- iv. Voted Utility Debt; 2.5% of assessed valuation
- v. Voted Open Space and Park Facilities; 2.5% of assessed valuation

5.2 Public Policy Limits:

5.2.1 The City will maintain a comprehensive multi-year Capital Improvement Program (CIP).

5.2.2 Analysis of funding sources will be conducted for all proposed capital improvement projects.

5.2.3 Debt will be issued in accordance with the CIP as necessary.

5.2.4 When borrowing is recommended, the source of funds to cover debt service requirements must be identified.

5.2.5 The City, as determined by the City Council, may consider using long term debt toward public improvements, which have an identified public benefit to the City, associated with economic development to the extent that new revenues from the

project, in excess of those identified by the City Council for other City purposes can be agreed upon to support the debt service.

5.3 Financial Limits:

5.3.1 The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.

5.3.2 The City will conduct a debt affordability analysis to evaluate the City's ability to support debt. The analysis will review available resources for the amount of debt the City can initiate each year, and project the effects of that financing through six years of the CIP.

6.0 Allowable Types of Debt

6.1 Short Term Obligations: Short-term borrowing should only be used to meet the immediate financing needs of a project for which long-term financing has been approved or secured but not yet received, such as a bond anticipation note. 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 the funds will not impact the fund's current operations. All interfund loans will be subject to Council approval, will bear interest and have terms consistent with state guidelines for interfund loans.

6.2 Assessment/ LID Bonds: Assessment bonds should be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment.

6.3 Limited Tax General Obligation Bonds: Limited Tax General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund or other available money in the City's government fund's revenues and taxes collected by the City. Limited Tax General Obligation (LTGO) Bonds must be issued with the approval of the City Council and should only be issued if: A project requires funding not available from alternative sources; matching fund monies are available which may be lost if not applied for in a timely manner; or Emergency conditions exist.

6.4 Unlimited Tax General Obligation Bonds: Unlimited Tax General Obligation (UTGO) Bonds are payable from excess tax levies and is subject to voter approval by 60% of the voters.

6.5 Revenue Bonds: Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Program and are generally payable from the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation

bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

6.6 Leases: Lease purchase or financing contracts are payment obligations that represent principal and interest components which are general obligations of the City.

6.7 Other Loan Programs:

6.7.1 Public Works Trust Fund Loans are loans from the Public Works Board, authorized by state statute, RCW 43.155 to loan money to repair, replace, or create domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste and recycling facilities, and bridges.

6.7.2 The Local Option Capital Asset Lending (LOCAL) Program is a financing contract with the Office of the State Treasurer under RCW 39.94. It is an expanded version of the state agency lease/purchase program that allows pooling funding needs into larger offerings of securities. This program allows local government agencies the ability to finance equipment needs through the State Treasurer's office, subject to existing debt limitations and financial consideration.

6.7.3 Other state funded programs.

6.8 Alternative types of debt: No variable-rate debt or derivative products should be utilized.

7.0 Debt Structuring Practices

7.1 Maximum term, Payback Period and Average maturity:

7.1.1 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life with the average life of the bonds less than or equal to the average life of the assets being financed.

7.1.2 General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by Council.

7.1.3 The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.

7.2 Debt Service Structure:

7.2.1 Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

7.3 Criteria for issuance of advance refunding, if allowed by tax rules, and current refunding bonds

7.3.1 The City will use refunding bonds, where appropriate, when restructuring its current outstanding 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 not be pursued without a sufficient net present value benefit after expenses. The City's goal is to achieve a net present value savings percent of 5% or greater.

7.4 Other structuring practices:

7.4.1 Bond amortization schedules will be structured to minimize interest expense with the constraints of revenues available for debt service. The bonds should include call features to maximize the City's ability to refund or retire the debt early. However, call features should be balanced with market conditions to ensure that the total cost of the financing is not adversely affected.

8.0 Debt Issuance Practices

8.1 Council Approval: City Council approval is required prior to the issuance of debt.

8.2 Analytical Review: An analytical review shall be conducted prior to the issuance of debt including, but not limited to, monitoring of market opportunities and structuring and pricing of the debt.

8.3 Use of credit ratings, minimum bond ratings, determination of the number of ratings and selection of rating services: The City will continually strive to maintain its bond rating by improving financial policies, budget, forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved. The City will maintain good communication with bond rating agencies about its financial condition, coordinating meetings, and presentations in conjunction with a new issuance as necessary.

8.4 Compliance with Statutes and Regulations: The Finance Director, City Attorney and bond counsel shall coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with legal and regulatory requirements by the State of Washington and the Federal Government's laws, rules and regulations.

8.5 Selection and use of professional service providers:

8.5.1 The City Manager shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

8.5.2 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.

8.5.3 Financial Advisor: A Financial Advisor(s) (if any) may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and reviewing official statements.

8.5.4 Underwriters and Purchasers: 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 debt and reselling the debt to investors. A Purchaser (potentially chosen through a bid process) may be used in a private placement sale method. For a public bond sale, the Underwriter will provide information on market opportunities and conditions, structuring and pricing of debt, and reviewing official statements.

8.5.5 Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders in a negotiated (or competitive) sale. The City Finance Director may act as the fiscal agent in a private placement. In accordance with RCW 43.80, the City will use the Fiscal Agent that is appointed by the state.

8.6 Criteria for determining sales method and investment of proceeds:

8.6.1 The Director of Finance and Administration shall determine the method of sale best suited for each issue of debt.

8.6.2 The City may issue debt through a negotiated process or competitive process, depending on the circumstances. For any competitive sale of debt, the City will award the issue to the underwriter offering to buy the bonds at a price and interest rates that provides the lowest True Interest Cost (TIC).

8.6.3 The City should provide for the sale of debt by negotiating the terms and conditions of sale when necessary to minimize the cost and risks of borrowing under the following conditions:

- i. The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- ii. At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
- iii. The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- iv. 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.

8.7 Bond Insurance: For each publicly sold issue, the City will evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively procured.

9.0 Debt Management Practices

9.1 Investment of Bond Proceeds

The City shall comply with all applicable federal, state and contractual restrictions regarding the investment of bond proceeds, including the City of Mill Creek Investment Policy.

9.2 Continuing Disclosure

The City's Disclosure Policy for any publicly sold bonds is attached as Exhibit A.

9.3 Arbitrage Rebate monitoring and filing

The City should, 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 follow a policy of full compliance with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform (internally or by contract consultants) arbitrage rebate calculations for each issue subject to rebate. All necessary rebates will be filed and paid when due in order to preserve the tax-exempt status of the outstanding debt. The City's post issuance compliance procedures are attached as Exhibit B.

9.4 Federal and state law compliance practices

Discussed in Debt Issuance Practices sections 5.3 and 5.4 and Debt Management Practices sections 6.1 and 6.3.

9.5 Market and investor relations efforts

The City shall endeavor to maintain a positive relationship with the investment community. The City shall communicate Mill Creek's indebtedness, as well as its future financial plans through its published Biennial Budget, Capital Improvement Program, and state required financial statements.

9.6 Periodic review

The City's debt policy shall be adopted by City Council. The policy shall be reviewed by City Management and updated every two years during Mill Creek's biennial budget process and Capital Improvement Program update. The policy will then be submitted within these documents and approved by City Council.



Subject: DISCLOSURE POLICY	Index: Finance Department Number: 300-04
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

As an issuer of municipal securities, the City of Mill Creek, Washington (the “City”) is subject to the antifraud provisions of the Securities Act of 1933, and the Securities and Exchange Act of 1934 and the Securities Act of Washington (chapter 21.70 RCW). These acts impose various obligations on the City, including requiring disclosure of material information regarding its publicly-offered bonds to allow investors to make informed decisions. All documents and statements prepared or made in connection with the purchase or sale of the City’s securities cannot contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements not misleading.

This policy is designed to assist the City in its compliance with securities laws and to promote best practices regarding disclosure.

The City has three major disclosure obligations: (1) to prepare an official statement for all public offerings of its securities that is delivered to the underwriter(s) for distribution to potential and actual purchasers and that sets forth the terms of the securities and information regarding the City, (2) to provide ongoing disclosure in compliance with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), and (3) if and when the City provides information that can reasonably be expected to be relied on by the market, to ensure that the information is not inaccurate or misleading.

2.0 ORGANIZATIONS AFFECTED:

Executive and Finance Departments

3.0 REFERENCE:

- RCW Chapter 21.70 Securities Act of Washington
- Debt Management Policy 300-04

4.0 POLICY:**4.1 Official Statements and Other Disclosure Documents**

The City will prepare an official statement for each publicly offered security offering. The Director of Finance and Administration and the City's bond counsel, disclosure counsel or financial advisor (as determined prior to each publicly offered security offering) will be responsible for preparing the official statement. If the City requests a rating, a rating presentation will be prepared. In addition, an investor presentation for larger bond issues may be prepared.

4.2 Procedure and Timeline for Preparing Official Statements

In advance of each financing, the City Manager will determine the financing team, including financial advisor(s), bond counsel and underwriter(s) (for negotiated offerings only), and who will be responsible for compiling the official statement. The Director of Finance and Administration and preparer of the official statement are responsible for providing drafts of the official statement or sections of the official statement, as appropriate, and the Director of Finance and Administration and underwriter or financial advisor are responsible for providing drafts of the rating presentation and investor presentation, if applicable, to the financing team and other City officials in a timely manner to provide adequate time for such individuals to perform a thorough review of such documents. The financial advisor or underwriter will prepare a schedule for each financing, including dates for distributing drafts of the official statement and financing team calls and meetings to discuss the official statement.

The Director of Finance and Administration shall provide certain sections of the disclosure documents to individuals with subject matter knowledge of that section for their review and comments.

The City Manager shall review the disclosure documents to provide a broader perspective.

The City Council shall be given a copy of the official statement in advance of its publication and be given the opportunity to comment and ask questions.

4.3 Training

The City shall provide periodic training opportunities to finance staff who participate in the City's debt offerings regarding disclosure obligations and best practices. Such training sessions shall include education on the City's disclosure obligations under applicable securities laws and responsibilities and potential liabilities regarding such obligations.

4.4 Document Retention

The Director of Finance and Administration shall retain for a period of at least five years printed copies of each preliminary and final official statement and any written certifications or opinions relating to disclosure matters. The Director of Finance and Administration is not required to retain drafts of any disclosure materials.

4.5 Certifications and Opinions

In connection with the closing of securities, the transcript will include a disclosure counsel opinion, if applicable, a City attorney or other City official certificate or opinion regarding litigation, and a certificate of the City regarding the official statement.

4.6 Ongoing Disclosure

Each time the City issues publicly-offered securities it will enter into a written undertaking to provide continuing disclosure for the benefit of the holders and beneficial owners of the securities as required by Rule 15c2-12. The undertakings will require the City to provide to the Municipal Securities Rulemaking Board an annual report consisting of the City's audited financial statements and specified historical financial and operating data within such time period after the end of each fiscal year as described in each such undertaking. In each undertaking, the City also agrees to provide or cause to be provided, in a timely manner, currently not in excess of 10 business days after the occurrence of the event, to the MSRB notice of the occurrence of the "Listed Events," as defined in the undertaking.

The Director of Finance and Administration (the "Compliance Officer") will be responsible for complying with each undertaking, including to file the annual reports within the specified time and to provide timely notice of any Listed Event. The Compliance Officer is or will be registered with the Electronic Municipal Market Access website ("EMMA") and familiar with the filing requirements and procedures. [The duty to comply with the undertaking is included in the Compliance Officer's job description.] The Compliance Officer shall keep a record of each undertaking and a copy of each filing pursuant to the undertakings. Any failure to comply with an undertaking shall be disclosed in future City official statements for five years after such failure. [The City has signed up with EMMA for email reminders.]

Several of the Listed Events require that notice be filed if the occurrence is material. In determining whether a Listed Event is material, the Compliance Officer shall consider whether the Listed Event involves the same security as the security for the debt for which the City has an undertaking(s), the potential financial impact of the Listed Event, and other factors that the Compliance Officer determines are relevant. In making such determination, the Compliance Officer may consult with the City's bond counsel, financial advisor or underwriter.

Certain of the Listed Events relate to debt and debt-like instruments other than bonds ("Financial Obligations"), such as bank loans, Public Works Trust Fund Loans, leases that operate as vehicles to borrow money, purchases of real estate on contract, and derivatives and guarantees of such Financial Obligations. The Compliance Officer shall maintain a list of Financial Obligations and any other agreements to covenants, events of default, remedies, priority rights, or other terms that may affect bondholders, if material, as well as provisions of Financial Obligations that if breached may reflect financial difficulties.

4.7 Speaking to the Market

The SEC has stated that when a municipal issuer of outstanding securities provides “information to the public that is reasonably expected to reach investors and the trading market, those disclosures are subject to the antifraud provisions”; the information cannot be misleading or contain incorrect information. In order to violate the antifraud rules, the misrepresentation must be made publicly, must be material, must involve a security traded on an efficient market and must be such as would induce a reasonable, relying investor to misjudge the value of the security. Examples of information that could be relied on by investors in the City’s outstanding securities include ongoing disclosure filings, audited financial statements, investor presentations, and financial information posted on the City’s website.



Subject: POST ISSUANCE COMPLIANCE PROCEDURES	Index: Finance Department Number: 300-04
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

The purpose of these post-issuance compliance procedures (“Compliance Procedures”) for tax-exempt bonds and other obligations (sometimes collectively referred to herein as “bonds” or “tax-exempt bonds”) issued by the City of Mill Creek, Washington (the “City”) for which federal tax exemption is provided by the Internal Revenue Code of 1986, as amended (the “Code”), is to facilitate compliance by the City with the applicable requirements of the Code that must be satisfied after the issue date of the bonds to maintain the tax exemption for the bonds after the issue date.

2.0 ORGANIZATIONS AFFECTED:

Executive and Finance Departments

3.0 REFERENCE:

- Debt Management Policy 300-04

4.0 POLICY:

4.1 Responsibility for Monitoring Post-Issuance Tax Compliance

The City Council of the City has the overall, final responsibility for monitoring whether the City is in compliance with post-issuance federal tax requirements for the City’s tax-exempt bonds. However, the City Council has or will delegate the primary operating responsibility to monitor the City’s compliance with post-issuance federal tax requirements for the City’s bonds. The City Council also has authorized and directed or will authorize and direct the Director of Finance and Administration of the City to adopt and implement on behalf of the City these Compliance Procedures.

4.2 Arbitrage Yield Restriction and Rebate Requirements

The Director of Finance and Administration will maintain or cause to be maintained records of:

4.2.1 Purchases and sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under section 148 of the Code) and receipts of earnings on those investments;

4.2.2 Expenditures made with bond proceeds (including investment earnings on bond proceeds) in a timely and diligent manner for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

4.2.3 Information showing, where applicable for a particular calendar year, that the City was eligible to be treated as a “small issuer” in respect of bonds issued in that calendar year because the City did not reasonably expect to issue more than \$5,000,000 of tax-exempt bonds in that calendar year;

4.2.4 Calculations that will be sufficient to demonstrate to the Internal Revenue Service (“IRS”) upon an audit of a bond issue that, where applicable, the City has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

4.2.5 Calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

4.2.6 Information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

4.3 Restrictions on Private Business Use and Private Loans

The Director of Finance and Administration will adopt procedures calculated to educate and inform the principal operating officials of those departments, including utility departments, if any, of the City (the “users”) for which land, buildings, facilities and equipment (“property”) are financed with proceeds of tax-exempt bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of tax-exempt bonds to make or finance any loan to any person other than a state or local government unit.

In particular, following the issuance of bonds for the financing of property, the Director of Finance and Administration shall provide to the users of the property a copy of these Compliance Procedures and other appropriate written guidance advising that:

4.3.1 “Private business use” means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain “qualified” management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain “qualified” research contracts), “naming rights” contract, “public-private partnership” arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond-financed property;

4.3.2 Under section 141 of the Code, no more than 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any “unrelated” private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than the lesser of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit;

4.3.3 Before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the Director of Finance and Administration, provide the Director of Finance and Administration with a description of the proposed nongovernmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

4.3.4 In connection with the evaluation of any proposed nongovernmental use arrangement, the Director of Finance and Administration should consult with nationally recognized bond counsel to the City as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any “remedial action” permitted under section 141 of the Code may be taken by the City as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and

4.3.5 The Director of Finance and Administration and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

4.4 Records to be Maintained for Tax-Exempt Bonds

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

The records to be maintained are to include:

4.4.1 The official Transcript of Proceedings for the original issuance of the bonds;

4.4.2 Records showing how the bond proceeds were invested, as described in 3(a) above;

4.4.3 Records showing how the bond proceeds were spent, as described in 3(b) and 4(c) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of "allocations" of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;

4.4.4 Information, records and calculations showing that, with respect to each bond issue, the City was eligible for the "small issuer" exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in 3(c), (d) and (e) above; and

4.4.5 Records showing that special use arrangements, if any, affecting bond-financed property made by the City with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of tax-exempt bonds to make or finance loans to any person other than a state or local government unit, as described in 4 above.

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

4.5 Identification and Remediation of Potential Violations of Federal Tax Requirements for Tax-Exempt Bond.

4.5.1 So long as any of the City's tax-exempt bond issues remain outstanding, the Director of Finance and Administration will periodically consult with the users of the City's bond-financed property to review and determine whether current use

arrangements involving that property continue to comply with applicable federal tax requirements as described in these Compliance Procedures. This may be accomplished, for example, by periodically meeting with users, providing questionnaires to users about current use arrangements, or adopting other protocols reasonably calculated to ensure compliance with applicable federal tax requirements on a continuing basis. This periodic review may be scheduled, for example, at or before the times that the City is required to file with the Municipal Securities Rulemaking Board the annual financial information and operating data pursuant to the City's undertaking to provide continuing disclosure with respect to outstanding bond issues.

4.5.2 If at any time during the life of an issue of tax-exempt bonds, the City discovers that a violation of federal tax requirements applicable to that issue may have occurred, the Director of Finance and Administration will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable Internal Revenue Service regulations or to enter into a closing agreement with the Internal Revenue Service under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

4.6 Education Policy With Respect to Federal Tax Requirements for Tax-Exempt Bonds

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

ATTACHMENT C

	<p>FINANCIAL MANAGEMENT POLICY</p>
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Subject: INVESTMENT POLICY	Index: Department Finance and Administration Number: 300-05
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Effective Date:	Supersedes: CCP97-007	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

It is the policy of the City of Mill Creek to invest public funds in a manner that provides maximum security, while meeting daily cash flow demands, conforming to all state and local statues governing the investment of public funds, while also providing a market rate of return through budgetary and economic cycles.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions.

3.0 REFERENCE:

N/A

4.0 POLICY:

4.1 SCOPE:

This investment policy applies to all financial assets of the City of Mill Creek. These funds are accounted for in the City of Mill Creek’s state required financial report and include:

- General Fund, Special Revenue Funds;
- Capital Projects Funds;
- Enterprise Funds;
- Trust and Agency Funds;
- Debt Service Funds (Unless prohibited by Bond indentures); and
- Any new fund created by City ordinance, unless specifically exempted.

Should bond covenants be more restrictive than this policy, funds shall be invested in full compliance with those restrictions.

4.2 PRUDENCE:

Investments shall be made with judgment and care, under circumstances prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “**Prudent Person**” standard and shall be applied in the context of managing an overall portfolio under prevailing economic conditions at the moment of investment commitments. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In determining whether an Investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than a consideration as to the prudence of a single investment, and, whether the investment decision was consistent with the written investment policy of the City of Mill Creek.

4.3 OBJECTIVES:

The primary objectives, in priority order, of the City of Mill Creek investment activities shall be:

Safety: Safety of principal is the foremost objective of the Treasurer’s investment program. Investments of and the City of Mill Creek will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The portfolio will remain sufficiently liquid to enable the City of Mill Creek to meet all cash requirements that might reasonably be anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

Return on Investment: The Investment portfolio shall be designed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account the City of Mill Creek’s investment risk constraints and liquidity needs. Return on investments is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair rate of return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

A security with declining credit may be sold early to minimize the loss of principal.

A security swap would improve the quality, yield, or target duration of the portfolio.

Liquidity needs of the portfolio require that the security be sold early.

4.4 DELEGATION OF AUTHORITY

A. The Treasurer, or their appointed Investment Officer responsibilities will include initiating daily transactions in the investment portfolio based on liquidity and cash flow requirements of the City of Mill Creek. In addition, the Investment Officer shall establish written procedures for the operation of the investment program consistent with the investment policy.

B. No person may initiate investment transactions on behalf of the Treasurer without the express written consent of the Treasurer or the Investment Officer after consultation with the Treasurer.

4.5 ETHICS AND CONFLICTS OF INTEREST

A. Investment officials will recognize that the investment portfolio is subject to public review and evaluation. The overall program will be designed and managed with a degree of professionalism that is worthy of the public trust.

B. Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Investment officials shall disclose to the Treasurer any material financial interests in financial institutions that conduct business with the City of Mill Creek, and they will further disclose any personal financial or investment positions that could be related to the performance of the City of Mill Creek's portfolio, particularly with regard to the timing of purchases and sales.

4.6 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

A. Selection of a primary bank for the City of Mill Creek's general banking services will be made by the Treasurer.

B. The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

As required by state law, (RCW 39.58), certificates of deposit will be purchased only from those institutions approved by the Washington Public Deposit Protection Commission (PDPC) as eligible for deposit of public funds. The Treasurer will annually adopt the eligibility list provided by the PDPC as the approved depository list.

The maximum amount placed with any one depository will not exceed the net worth of the institution as determined by the PDPC.

Qualified broker/dealers and financial institutions will be reviewed and selected by the Treasurer on a routine basis. All brokers/dealers and financial institutions that desire to do business with the City of Mill Creek must supply the Treasurer with the following:

1. Annual audited financial statements.
2. Proof of FINRA (Financial Industry Regulatory Authority) certification.
3. Proof of registration with the State of Washington.
4. A completed Broker/Dealer questionnaire and a certification of having read Mill Creek's Investment Policy.

The Treasurer will conduct an annual review of the financial condition of the firms. A current audited financial statement is required to be on file for each financial institution and broker/dealer with whom the City of Mill Creek invests.

4.7 AUTHORIZED INVESTMENTS

U.S. Treasury Obligations

U.S. Government Agency obligations and U.S. Government Sponsored Enterprises (GSE's) which may include, but are not limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank (FHLB)
- Government National Mortgage Association (GNMA)
- Federal Home Loan Mortgage Corporation (FHLMC)
- Federal National Mortgage Association (FNMA)
- Student Loan Marketing Corporation (SLMA)

Banker's Acceptances (BA's) purchased through State of Washington Financial Institutions and authorized broker/dealers. Banker's Acceptances shall not be longer than six months duration. Investments in Banker's Acceptances must be in the top thirty banks in the United States, including all banks in the State of Washington as authorized by the Public Deposit Protection Commission. Further, within these limitations, investments may be made only in those banks whose other negotiable obligations are rated at least A-1, P-1 or F-1 (at the time of purchase) by at least two or more internationally recognized agencies such as Moody's or Standard and Poors.

Non-negotiable Certificates of Deposit of financial institutions which are qualified public depositories in accordance with the restrictions therein.

Bonds of the State of Washington and any local government in 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.

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.

Washington State Local Government Investment Pool (LGIP). The City of Mill Creek Treasurer will keep on file the most recent LGIP Investment Policy and operations manual. This policy will be assessed for safety of funds on deposit with the LGIP and risks associated with investment strategies. In addition, the LGIP will complete a questionnaire for the Mill Creek Treasurer which will include the following:

- A description of eligible securities;
- How interest and fees are calculated;
- How gains and losses are calculated;
- A description of how the securities are safeguarded,
- How often the securities are priced, and how often the program is audited;
- Deposit and withdrawal restrictions; and
- Information regarding how bond proceeds are accounted for in the LGIP.

And other investments authorized by law.

A signed master repurchase agreement in conformance with the Public Securities Association (PSA) model agreement and supplemented with the Treasurer's policy on repurchase agreements must be executed prior to entering into a repurchase agreement transaction.

4.9 SAFEKEEPING AND CUSTODY

A. Delivery vs. Payment:

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited with a third party custodian prior to the release of funds.

B. Safekeeping:

Securities will be held by an independent third-party custodian selected by the Treasurer. Safekeeping receipts will evidence all transactions.

C. CD's:

Certificates of deposit will be held by the Treasurer.

4.10 DIVERSIFICATION

It is the policy of the City of Mill Creek to diversify its investment portfolio. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer or class of securities, all cash and cash equivalent assets in all funds shall be diversified by maturity, issuer and by the class of security. Diversification strategies shall be determined and revised periodically by the investment officer for all funds. In establishing specific diversification strategies, the following constraints shall apply:

Maximum Percentage of Mill Creek's Investment Portfolio:

- Washington State Local Government Investment Pool 100%
- U.S. Treasury Obligations 100%
- Federal Agency securities 90%
- Municipal Investment Accounts 40%
- Certificates of Deposit (CDs) 40%
- Repurchase Agreements (Repos) 40%
- Bonds of State of Washington or local government in the State of Washington 20%
- Bonds of other states or local governments of a state other than the State of Washington 15%

4.11 SALE OF PORTFOLIO

Any major changes in Investment Strategy including the liquidation of the portfolio shall require a majority vote by the City Council.

4.12 MATURITIES

To the extent possible and to preclude sales of securities that could result in a loss, investments will be made to coincide with anticipated cash flow requirements. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as the Local Government Investment Pool or money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

A. To this extent, 20% of the portfolio, at the time of investment, will be comprised of investments maturing within a year.

B. Satisfying this requirement, remaining funds may be invested in authorized securities not to exceed five years in maturity, except when compatible with a specific fund's investment needs.

C. To ensure additional liquidity and provide for ongoing market opportunity the weighted average maturity and modified duration of the overall portfolio shall not exceed three years without the prior written approval of the Treasurer.

4.13 INTERNAL CONTROL

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected from loss, theft or misuse. The Treasurer shall establish an annual process of independent review by the Washington State Auditor's Office. This review will provide internal control by assuring compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial Safekeeping;
- Avoidance of physical delivery securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers; and
- Development of a wire transfer agreement with the lead bank and third-party custodian.

4.14 PERFORMANCE STANDARDS/BENCHMARK

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, consistent with the investment objectives and cash flow needs. A series of appropriate benchmarks shall be established against which performance shall be compared on a regular basis. The benchmark will be reflective of the actual securities being purchased and the risks undertaken. The benchmarks will have a similar weighted average maturity as the portfolio.

4.15 PROCEDURES

Day-to-day procedures concerning investment management and accounting are outside the scope of this policy. As deemed necessary, the Treasurer will establish written procedures for the operation of the investment program consistent with this policy.

4.16 REPORTING

At least quarterly, a report will be submitted to the Mill Creek City Council for their review, summarizing the current position of the Mill Creek portfolio. The Treasurer and/or the Investment Officer shall report to the committee current investment strategy being followed and recent economic conditions and market developments that have a bearing on this strategy. This management report will be prepared in a manner that allows the Mill Creek City Council to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include:

A listing of individual securities held at the end of the reporting period by authorized investment category

Asset allocation of types of securities

Performance of portfolio and its appropriate benchmark(s)

4.17 INVESTMENT POLICY ADOPTION

The City of Mill Creek's investment policy shall be adopted by a majority vote of the Mill Creek City Council. The policy shall be reviewed by Mill Creek City management on an annual basis and any modifications shall be approved by the Mill Creek City Council.

5.0 DEFINITIONS

ACCRUED INTEREST - The interest accumulated on a bond since issue date or the last coupon payment. The buyer of the bond pays the market price and accrued interest, which is payable to the seller.

AGENCY - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally Sponsored Agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. (Also see FEDERAL AGENCY SECURITIES and GOVERNMENT SECURITY)

AMORTIZATION - In portfolio accounting, periodic charges made against interest income on premium bonds in anticipation of receipt of the call price at call or of par value at maturity.

ASSET - Available property, as for payment of debts

AVERAGE MATURITY - A weighted average of the expiration dates for a portfolio of debt securities. An income fund's volatility can be managed by shortening or lengthening the average maturity of its portfolio.

BANK WIRE - A virtually instantaneous electronic transfer of funds between two financial institutions.

BANKERS ACCEPTANCES (BAs) - Bankers Acceptances generally are created based on a letter of credit issued in a foreign trade transaction. They are used to finance the shipment of commodities between countries as well as the shipment of some specific goods within the United States. BAs are short-term, non-interest bearing notes sold at a discount and redeemed by the accepting bank at maturity for full face value. These notes trade at a rate equal to or slightly higher than Certificates of Deposit (CDs), depending on market supply and demand. Bankers Acceptances are sold in amounts that vary from \$100,000 to \$5,000,000, or more, with maturities ranging from 30 - 270 days. They offer liquidity to the investor as it is possible to sell BAs prior to maturity at the current market price.

BASIS POINT - A measure of an interest rate, i.e., 1/100 of 1 percent, or .0001.

BID - The indicated price at which a buyer is willing to purchase a security or commodity. When selling a security a bid is obtained. (See Offer)

BOND - A long-term debt security, or IOU, issued by a government or corporation that generally pays a stated rate of interest and returns the face value on the maturity date.

BOOK ENTRY SECURITIES - U.S. government and federal agency securities that do not exist in definitive (paper) form; they exist only in computerized files maintained by the Federal Reserve Bank.

BOOK VALUE - The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to market value.

BROKER - A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

CERTIFICATES OF DEPOSIT - Certificates of Deposit, familiarly known as CDs, are certificates issued against funds deposited in a bank for a definite period of time and earning a specified rate of return. Certificates of Deposit bear rates of interest in line with money market rates current at the time of issuance.

COLLATERAL: Property (as securities) pledged by a borrower to protect the interest of the lender.

COMPETITIVE BID PROCESS - A process by which three or more institutions are contacted via the telephone to obtain interest rates for specific securities.

CREDIT QUALITY - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK - The risk that another party to an investment transaction will not fulfill its obligations. Credit risk can be associated with the issuer of a security, a financial institution holding the entity's deposit, or a third party holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments in any one investment type or with any one party.

CUSTODIAN - An independent third party (usually bank or trust company) that holds securities in safekeeping as an agent for the county.

DEALER - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEFEASE - To discharge the lien of an ordinance, resolution, or indenture relating to a bond issue, and in the process, render inoperative restrictions under which the issuer has been obliged to operate. Comment: Ordinarily an issuer may defease an indenture requirement by depositing with a trustee an amount sufficient to fully pay all amounts under a bond contract as they become due.

DELIVERY - The providing of a security in an acceptable form to the County or to an agent acting on behalf of the County and independent of the seller. Acceptable forms can be physical securities or the transfer of book entry securities. The important distinction is that the transfer accomplishes absolute ownership control by the County

DELIVERY VS PAYMENT - There are two methods of delivery of securities: Delivery vs. payment and delivery vs. receipt (also called free). Delivery vs. payment is delivery of securities with an exchange of money for the securities. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITARY - A person to whom something is entrusted, a depository.

DEPOSITORY BANK - A local bank used as the point of deposit for cash receipts.

DEPOSITORY INSURANCE - Insurance on deposits with financial institutions. For purposes of this policy statement, depository insurance includes: a) Federal depository insurance funds, such as those maintained by the Federal Deposit Insurance Corporation (FDIC) AND Federal Savings and Loan Insurance Corporation (FSLIC); and b) Public Deposit Protection Commission.

DISCOUNT - 1. (n.) selling below par; e.g., a \$1000 bond selling for \$900. 2. (v.) anticipating the effects of news on a security's value; e.g., "The market had already discounted the effect of the labor strike by bidding the company's stock down."

DIVERSIFICATION - Dividing available funds among a variety of securities and institutions so as to minimize market risk.

EFFECTIVE RATE - The yield you would receive on a debt security over a period of time taking into account any compounding effect.

FACE VALUE - The value of a bond stated on the bond certificate; thus, the redemption value at maturity. Most bonds have a face value, or par, of \$1,000.

FEDERAL AGENCY SECURITIES - Several government-sponsored agencies, in recent years, have issued short and long-term notes. Such notes typically are issued through dealers, mostly investment banking houses. These Federal government-sponsored agencies were established by the U.S. Congress to undertake various types of financing without tapping the public treasury. In order to do so, the agencies have been given the power to borrow money by issuing securities, generally under the authority of an act of Congress. These securities are highly acceptable and marketable for several reasons, mainly because they are exempt from state, municipal and local income taxes. Furthermore, agency securities must offer a higher yield than direct Treasury debt of the same maturity to find investors, partly because these securities are not direct obligations of the Treasury. The main agency borrowing institutions are the Federal National Mortgage Association (FNMA), the Federal Home Loan Bank System (FHLB), and the Federal Farm Credit System (FFCS).

FNMA - FEDERAL NATIONAL MORTGAGE ASSOCIATION - issues notes tailored to the maturity needs of the investor. Maturities range from 30 days up to 30 years. These notes are made attractive by their denominations from \$5,000 to \$1 million.

FHLB - FEDERAL HOME LOAN BANK SYSTEM - consists of twelve Federal Home Loan Banks, issues, in addition to long-term bonds, coupon notes with maturities of up to one year. Their attractiveness stems from their investment denominations of \$10,000 to \$1 million.

FEDERAL DEPOSIT INSURANCE (FDIC) - A Federal institution that insures bank deposits. The current limit is up to \$100,000 per depository account.

FEDERAL FUNDS RATE - The rate of interest at which Fed Funds are traded between banks. Fed Funds are excess reserves held by banks that desire to invest or lend them to banks needing reserves. The particular rate is heavily influenced through the open market operations of the Federal Reserve Board. Also referred to as the "Fed Funds rate."

FEDERAL HOME LOAN BANKS (FHLB) - The institutions that regulate and lend to savings and loan associations.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) - FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development, HUD. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM - The central bank of the United States which has regulated credit in the economy since its inception in 1913. Includes the Federal Reserve Bank, 14 district banks and the member banks of the Federal Reserve, and is governed by the Federal Board.

FINANCIAL INSTITUTIONS - Establishments that include the circulation of money, the granting of credit, the making of investments, and the provision of banking facilities.

FISCAL AGENCY - A financial institution that handles bond and coupon redemptions on behalf of an entity.

GINNIE MAES (GNMAs) - Mortgage securities issued and guaranteed, as to timely interest and principal payments, by the Government National Mortgage, an agency within the Department of Housing and Urban Development (HUD).

GOVERNMENT SECURITY - Any debt obligation issued by the U.S. government, its agencies or instrumentalities. Certain securities, such as Treasury bonds and Ginnie Maes, are backed by the government as to both principal and interest payments. Other securities, such as those issued by the Federal Home Loan Mortgage Corporation, or Freddie Mac, are backed by the issuing agency.

HAIRCUT - This term describes the way brokers and clients protect themselves from market risk in doing repos. An entity wanting to finance the purchase of \$100 million in Treasury bonds may borrow just \$98 million of the money. The two percent difference between the amount of securities purchased and the amount of money borrowed is the haircut. Similarly, an entity looking to borrow \$100 million may need to provide, as collateral, Treasury securities with a market price equal to \$102 million.

LIQUIDATION - Conversion into cash.

LIQUIDITY - Refers to the ease and speed with which an asset can be converted into cash without a substantial loss in value.

LOSS - The excess of the cost or book value of an asset over selling price.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP) - The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARK-TO-MARKET - An adjustment in the valuation of a securities portfolio to reflect the current market values of the respective securities in the portfolio. This process is also used to ensure that margin accounts are in compliance with maintenance.

MARKETABILITY - Ability to sell large blocks of money market instruments quickly and at competitive prices.

MARKET RISK - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. The risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline.

MARKET VALUE - The price at which a security is trading and could presumably be sold.
MASTER REPURCHASE AGREEMENT - An agreement between the investor and the dealer or financial institute. This agreement defines the nature of the transactions, identifies the relationship between the parties, establishes normal practices regarding ownership and custody of the collateral securities during the term of the investment, provides for remedies in the event of a default by either party and otherwise clarifies issues of ownership. **MATURITY** - The time when a security becomes due and at which time the principal and interest or final coupon payment is paid to the investor.

NET WORTH - A financial institutions available funds after their total liabilities have been deducted from their total assets.

OFFER - The indicated price at which a seller is willing to sell a security or commodity. (See BID) When buying a security an offer is obtained.

PAR VALUE - The nominal or face value of a debt security; that is, the value at maturity.

PORTFOLIO - Collection of securities held by an investor.

PREMIUM - The amount by which a bond sells above its par value.

PRIMARY DEALERS - A pre-approved bank, broker/dealer or other financial institution that is able to make business deals with the U.S. Federal Reserve, such as underwriting new government debt. These dealers must meet certain liquidity requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

PRIME RATE - The interest rate a bank charges on loans to its most credit worthy customers. Frequently cited as a standard for general interest rate levels in the economy.

PRINCIPAL - An invested amount on which interest is charged or earned.

PRUDENCE - The ability to govern and discipline oneself by the use of reason. Shrewdness in the management of affairs. Able to use skill and good judgment in the use of resources.

QUALIFIED PUBLIC DEPOSITORY - A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated, for the benefit of the commission, eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

REGISTERED SECURITY - A security that has the name of the owner written on its face. A registered security cannot be negotiated except by the endorsement of the owner.

REPRICING - The revaluation of the market value of securities.

SAFEKEEPING - A service to customers rendered by banks for a fee whereby all securities and valuables of all types and descriptions are held in the bank's vaults for protection, or in the case of book entry securities, are held and recorded in the customer's name and are inaccessible to

anyone else.

SALLIE MAES - Pooling of student loans guaranteed by the Student Loan Mortgage Association (SLMA) to increase the availability of education loans. The SLMA purchases the loans after buying them on the secondary market from lenders. SLMA stock is publicly traded.

SECURITIES - Bonds, notes, mortgages, or other forms of negotiable or non-negotiable instruments.

SETTLEMENT DATES - The day on which payment is due for a securities purchase. For stocks and mutual funds bought through an investment dealer, settlement is normally five business days after the trade date. Bonds and options normally settle one business day after the trade date mutual fund shares purchased directly by mail or wire settle on the day payment is received.

SPREAD - (a) Difference between the best buying price and the best selling price for any given security. (b) Difference between yields on or prices of two securities of differing quality or differing maturities. (c) In underwriting, difference between price realized by the issuer and price paid by the investor.

STRIPPED TREASURIES - U.S. Treasury debt obligations in which coupons are removed by brokerage houses, creating zero-coupon bonds.

TRIPARTITE CUSTODIAN AGREEMENT - An agreement that occurs when a third party or custodian becomes a direct participant in a repurchase transaction. The custodian ensures that the exchange occurs simultaneously and that appropriate safeguards are in place to protect the investor's interest in the underlying collateral.

THIRD-PARTY SAFEKEEPING - A safekeeping arrangement whereby the investor has full control over the securities being held and the dealer or bank investment department has no access to the securities being held.

TIME DEPOSIT - Interest-bearing deposit at a savings institution that has a specific maturity.

TREASURY BILLS - Treasury bills are short-term debt obligations of the U.S. Government. They offer maximum safety of principal since they are backed by the full faith and credit of the United States Government. Treasury bills, commonly called "T-Bills," account for the bulk of government financing, and are the major vehicle used by the Federal Reserve System in the money market to implement national monetary policy. T-Bills are sold in three, six, nine, and twelve-month bills. Because treasury bills are considered "risk-free," these instruments generally yield the lowest returns in the major money market instruments.

TREASURY NOTES AND BONDS - While T-Bills are sold at a discount rate that establishes the yield to maturity, all other marketable treasury obligations are coupon issued. These include Treasury Notes with maturities from one to ten years and Treasury Bonds with maturities of 10-30 years. The instruments are typically held by banks and savings and loan associations. Since Bills, Notes and Bonds are general obligations of the U.S. Government, and since the Federal Government has the lowest credit risk of all participants in the money market, its obligations generally offer a lower yield to the investor than do other securities of comparable maturities.

UNDERLYING SECURITIES - Securities transferred in accordance with a repurchase agreement.

VENDOR - A business or individual who provides a service or product at a cost.

WHEN-ISSUED TRADES - Typically, there is a lag between the time a new bond is announced and sold and the time it is actually issued. During this interval, the security trades "wi," "when, as, and if issued."

Wi - When, as, and if issued. See When-issued trades.

YIELD - The rate at which an investment pays out interest or dividend income, expressed in percentage terms and calculated by dividing the amount paid by the price of the security and annualizing the result.

YIELD BASIS - Stated in terms of yield as opposed to price. As yield increases for a traded issue, price decreases and vice versa. Charts prepared on a yield basis appear exactly opposite of those prepared on a price basis.

YIELD SPREAD - The variation between yields on different types of debt securities; generally a function of supply and demand, credit quality and expected interest rate fluctuations. Treasury bonds, for example, because they are so safe, will normally yield less than corporate bonds. Yields may also differ on similar securities with different maturities. Long-term debt, for example, carries more risk of market changes and issuer defaults than short-term debt and thus usually yields more.

ZERO-COUPON BONDS - Securities that do not pay interest but are instead sold at a deep discount from face value. They rise in price as the maturity date nears and are redeemed at face value upon maturity.

ATTACHMENT D

	<u>TYPE OF POLICY</u> <u>FINANCIAL POLICY</u>
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Subject: FINANCIAL MANAGEMENT POLICIES	Index: Department Finance and Administration Number: 300-03
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

The City of Mill Creek is accountable to its citizens for the use of public dollars. Municipal resources must be used wisely to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. The City of Mill Creek is committed to the highest standards of responsible financial management. The City, including the City Council, City Manager and staff will work together to ensure that all financial matters of the City are addressed with care, integrity, and in the best interest of the City.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency, and effectiveness.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions.

3.0 REFERENCE:

MCMC Chapter 3.02: General Financial Administration
RCW 35A.33.135 City Budgeting
RCW 36.70A.070 Comprehensive plans

Debt Management Policy 300-04
Investment Policy 300-05
Investment
debt

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4.0 GENERAL FINANCIAL GOALS

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4.1 To provide a financial base sufficient to sustain municipal services to maintain the social wellbeing and physical conditions of the City.

4.2 To be able to withstand local, regional, national and world economic trauma, to adjust to changes in the service requirements, and to respond to other changes as they affect the community.

4.3 To maintain an excellent credit rating in the financial community and assure taxpayers that Mill Creek City government is maintained in sound fiscal condition.

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54.0 FINANCIAL POLICIES

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The City of Mill Creek's financial management policies address the following major areas:

<u>5.0 General Policies</u>	<u>10.0 Debt Policies</u>
<u>6.0 Operating Budget Policies</u>	<u>11.0 Investment Policies</u>
<u>7.0 Revenue Policies</u>	<u>12.0 Special Revenue Fund Policies</u>
<u>8.0 Expenditure Policies</u>	<u>13.0 Reserve Policies</u>
<u>9.0 Capital Management Policies</u>	<u>14.0 Accounting, Auditing, and Financial Reporting Policies</u>

56.0 General Policies

65.1 The City Council may adopt resolutions and ordinances to set financial policies to assure the financial strength and accountability of the City.

65.2 The City Manager, or designee, shall develop administrative directives and general procedures for implementing the City Council's financial policies.

65.3 All City departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected revenues, and future service requirements.

76.0 Operating Budget Policies

The goals of the budget process are: Align the budget with citizen priorities, measure progress towards priorities, ~~get~~ *obtain* the best value for each tax dollar, foster continuous learning in the City, and build regional cooperation.

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76.1 The operating budget shall serve as the City's comprehensive two-year financial plan which provides for the desired level of City services as defined by the City's priorities. It will serve as the policy document of the City Council for implementing Council goals and objectives.

76.2 In order to facilitate the biennial budget development process and 6-year Capital Improvement Plan, the City Manager should propose a combined biennial budget and capital development calendar/Capital Update and Biennial Budget Development Calendar at the first regular Council meeting in March, in even years.

76.3 The City Council will adopt and maintain a balanced biennial operating budget.

6.4 The City of Mill Creek defines a balanced budget as current biennium revenues (including fund balances) being equal to or greater than current biennium budgeted expenditures.

6.5 The City will strive to adopt a budget where current biennial operating revenues will be equal to or greater than current operating expenditures.

7-46.6 All general government current operating expenditures should be paid from current revenues and cash carried over from the prior biennium; in excess of the adopted reserve level. The City will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.

7.5 Revenues and expenditures for the General Fund, and all operating funds, shall be projected for the ensuing biennium; 6.7. Revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass six years and will be updated as needed but no less than biennially.

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76.87 Biennial operating budgets should provide for design, construction, maintenance and replacement of the City's capital, facilities, and equipment consistent with the Capital Improvement/Facilities Plan including the related cost for operating and maintenancesuch new facilities.

76.98 The City willshould maintain all of its assets at a level such that it protects the City's capital investment and minimizes future maintenance and replacement costs.

7.9 Reports on revenues and expenditures will be prepared monthly and reviewed at a minimum quarterly by the City Council during the year.

76.1040 One-time revenues should be used for one-time/non-recurring expenditures. The City will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.

~~76.141 One-time construction sales tax from the General Fund should be transferred into the Capital Improvement Project Fund in accordance with the City's adopted Capital Improvement Plan to help support future capital needs associated with the increased residential and commercial populations.~~

~~6.11 The City will attempt to utilize beginning balances and other one-time revenues only for one-time/non-recurring expenditures.~~

~~76.122 All supplemental budget modifications appropriations (appropriations requested after the original budget is adopted) including staff additions should conform to the City's budget policies and be carefully considered. be considered as a result of the availability of new revenues (such as unanticipated grants) should conform to budget priorities and City goals All budget modifications will conform to these operating budget policies.~~

~~7.13 7.14~~

~~87.0 Revenue Policies~~

~~Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.~~

~~87.1 Mill Creek The City will strives to maintain as diversified and stable of a revenue system as permitted by state law to shelter the Cityit from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.~~

Commented [PL2]: Like we have a choice?

~~87.2 Major General Fund revenue streams are impacted by fluctuations in the local, regional and national economies, and therefore. Mill Creek's revenue estimates should be conservative and avoid speculation. Because revenues, especially those of the General Fund, are sensitive to both local and regional economic activities, revenue estimates provided to the City Council shall be conservative.~~

~~87.3 The City will estimate its biennial revenues throughby an objective, analytical process using best known economic data practices as defined by the Government Finance Officers Association.~~

~~The City will project revenues for the next six years and will update this projection biennially. The City Manager will biennially review and make available to the City Council an analysis of each potential major revenue source.~~

Commented [PL3]: Move to budget policies

~~78.45 The City strives to establish user fees and charges at a level related to the cost of providing the service and within policy parameters established by the City Council.~~

~~87.56 In each odd numbered year, the City shouldwill review and adjust user fees to adjust for the effects of inflation and other costs or legislative factors as appropriate. The City will set fees for user activities, such as recreational services, at a level to support the direct and indirect costs of the activity in accordance with cost recovery policies adopted by Council.~~

8-77.6 Surface Water Utility-The City will strive to set rates, fees and user charges for each enterprise fund, at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets. Additionally, for analysis and rate modeling purposes, the proposed rates shall also take into account debt service commitments.

a. The analysis associated with "generally accepted" rate-setting techniques includes the following:

- Revenue Requirement Analysis – Establishes the overall level of financial and rate needs of the City.
- Cost of Service Analysis – Design rates to collect the appropriate level of revenue and to meet the goals and policies of the City.

b. At a minimum, a rate study should be reviewed and updated every 5 years.

8-97.7, The City will account for revenues according to City policy, state statute, and as prescribe by the State Auditor's Office.

98.0 Expenditure Policies

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.

98.1 The City budget will provide for a sustainable level of service that strives to achieve City goals.

98.2 The City's operating budget will not use one-time revenues to support ongoing expenditures.

98.3 The City will account for maintain-expenditures categories-according to City policy, state statute and administrative regulation-as prescribed by the State Auditor's Office.

94

9-58.4 Written cost allocation plans will be developed and incorporated into the City budget as needed. The cost allocation plan will be the basis for distribution of general government costs to other funds or capital projects (also known as indirect costs).

109.0 Capital Management Budget Policies

Review and monitor the state of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

109.1 The City of Mill Creek will develop a Capital Facilities Plan (CFP) as defined and required by RCW 36.70A.070, make capital improvements in accordance with its adopted capital improvement program. The plan shall be for a period of six years.

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~~409.2 The Capital Improvement Program CFP, together with the City's Capital Improvement Plan (CIP) will include all projects to maintain public capital projects required to maintain service levels at standards established by the City Council. It may also include for consideration such other projects as requested by the City Council, and the operating budget will be reviewed in coordination to ensure that the City's capital and operating needs are balanced with each other and that the Capital Improvement Program is aligned with the City's other long-range plans.~~

~~409.3 The CFP/CIP will provide a full description and details on each capital project including estimating costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance and other outside resources whenever possible. A capital project is defined as new, replacement of, or improvements to infrastructure, (e.g. buildings, roads, parks) that has a minimum life expectancy of five years and a minimum cost of \$25,000.~~

~~40.39.4 The City will finance only those capital improvements that are consistent with the adopted CIP and City budget priorities. All capital improvements will include operations and maintenance costs and the plan will be updated the plan every biennium. Capital expenditures will be forecasted taking into account changes in population, changes in real estate development, or changes in relevant economic condition of the City and the region.~~

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~~40.49.5 A capital project is defined as new, replacement of, or improvements to infrastructure, (e.g. buildings, roads, parks) that has a minimum life expectancy of five years and a minimum cost of \$25,000. The City will estimating costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance and other outside resources whenever possible.~~

~~9.640.5 One-time revenues should be transferred into the CIP Fund at the end of a biennium. One-time revenues are those receipts that are easily identifiable due to the magnitude of the revenue and are not expected to reoccur, such as one-time development related revenues (e.g., construction sales tax on large buildings). The City recognizes that during each budget cycle, Mill Creek receives a recurring base amount of development related revenues that should not be transferred out of the City's General Fund. The City will transfer one-time revenues from the general fund into the CIP on an annual basis. One-time revenues are those which are not expected to reoccur.~~

~~40.69.7 The City will transfer a portion of the City's General Fund Reserve above an amount which is needed to respond to economic fluctuations, cash flow needs, and catastrophic events. At the end of each biennium, the City will transfer 33% of all reserve funds above the General Fund Reserve minimum for capital project investment.~~

409.78 The CIP includes a CIP Contingency ~~Fund~~ in which a minimum of 10% of projected revenues from Real Estate Excise Tax (REET) should be designated for this fund to be used to support Transportation, Parks and Trails, and City Facilities and Equipment. It is at Council's discretion that these funds can be appropriated toward currently unidentified projects, toward approved projects that are underfunded or toward unexpected increases in planned projects.

Capital Asset Management

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409.9 The City will maintain its capital assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.

409.10 The capitalization threshold used in determining if a given asset qualifies for capitalization is \$5,000 per item with a useful life of over one year. All capital assets shall have a City of Mill Creek property tag affixed to it when placed into service.

409.11 Minor equipment that falls below the \$5,000 threshold but is subject to shrinkage shall have City of Mill Creek property tag affixed to it when placed into City service and will be accounted for on the "Small and Attractive" inventory list.

140.0 Debt Management Policies

See Debt Management Policy 300-04

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121.0 Investment Policies

See See attached Investment Policy 300-05 supplementary Investment Policy

132.0 Reserve Fund Policies

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the City's credit as well as its financial position from emergencies.

12.1 At the end of each biennium, the remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the City.

12.2 The City will include all fund balances in the biennial budget.

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132.3 General Fund Operating Reserve

This reserve sets aside funds (15 percent of the General Fund's budgeted revenues for the ensuing biennium) to respond to economic fluctuations, catastrophic events and unanticipated cash flow needs.

a. At the end of a budget cycle, a third of any surplus reserve should be transferred to the Capital Improvement Plan (CIP) Fund for future capital investment.

b. A surplus is defined as the difference between the actual beginning fund balance and the budgeted beginning fund balance.

c. Biennium surpluses in the General Fund Operating Reserve may remain in the General Fund Operating Reserve, appropriated and used to fund one-time operations and capital expenditures if:

- Surplus balances remain after all current expenditure obligations and reserve requirements are met.
- The City has made a determination that revenues for the ensuing biennium are sufficient to support budgeted General Fund operations.

d. If reserves are used for their intended purpose and spent down below the 15 percent reserve requirement, the City will develop a written fiscal strategy to reinstate the required 15 percent reserve.

13.4 132.45 CIP Contingency Reserve

A minimum of 10% of projected revenues from Real Estate Excise Tax (REET) should be designated as a Capital Improvement Plan (CIP) Contingency Reserve to be used to support transportation, parks and trails, City facilities and new capital equipment projects. REET receipts fluctuate from year to year based on the transfer of property ownership in Mill Creek. Although staff projects this revenue stream conservatively, it is still prudent to maintain an adequate CIP Contingency Reserve and not allocate or appropriate these monies until they are actually received. Only Council can approve spending down funds in the CIP Contingency Reserve.

12.5 Annex Fund City Hall North

The City will maintain an operating reserve of 5%.

12.6 Reserved

12.7 Reserved

132.6 Surface Waterstormwater Utility Fund Reserves

Operating:

The City shall strive to maintain adequate reserves in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies.

The City's goal is to achieve a year-end minimum balance target of 120 days (33%) of total annual operating expenditures excluding transfers. In any year where operating reserves exceed the target, i.e. 120 days of operating expenses, it is assumed that the excess cash is swept into the capital account to help pay for capital projects.

Capital Reserves:

This reserve provides a source of emergency funding for unexpected asset failures or other unanticipated capital needs. It can also help the utility address cash flow issues related to capital projects. The City's goal is to achieve a target balance of \$500,000.

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Revenue Bond Debt Reserve:

Bond reserves shall be created and maintained by the Surface Water Utility Fund in accordance with any provisions set forth in the bond covenants. These shall be in addition to the reserves described above.

Parity Debt Service Coverage Ratio:

The City shall strive to maintain a minimum target goal for parity debt service coverage ratio, gross revenue of the utility less operating and maintenance expenses, (not including depreciation, taxes and debt payments) of 2.00 times or higher on the combined parity annual debt service payments.

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132.97 Equipment Replacement Fund

The City shall maintain an Equipment Replacement Fund for fleet, capital equipment and general asset replacement. The Equipment Replacement Fund should be maintained at a level sufficient to meet scheduled equipment replacement so as to sustain an acceptable level of municipal services and prevent a physical deterioration of City assets.

Contributions will be made through assessments to the operating departments and maintained on a per asset basis.

~~13.8 The City strives to maintain General Operating Reserves at a level equal to at least 15% of General Fund revenue, excluding beginning fund balance and any significant one-time revenues. These reserves shall be created and maintained t~~

- ~~1. Provide sufficient cash flow to meet daily financial needs.~~
- ~~2. Sustain City services in the event of a catastrophic event such as a natural/manmade disaster (e.g. earthquake, windstorm, flood, terrorist attack) or a major downturn in the economy~~

~~11.3 Biennium surpluses in the General Fund should be used to fund one-time operations, capital expenditures or dedicated to the Capital Improvement Program if:~~

- ~~• There are surplus balances remaining after all current expenditure obligations and reserve requirements are met.~~

~~The City has made a determination that revenues for the ensuing biennium are sufficient to support budgeted General Fund operations.~~

~~11.4 A surplus is defined as the difference between the actual beginning fund balance and the budgeted beginning fund balance. It consists of under-expenditures and excess revenues over and above the amounts included in the following biennial budget.~~

~~-Other Reserves:~~

~~The City will maintain operating reserves in the following Funds:~~

- ~~Surface Water Fund: 5%~~
- ~~Annex Fund: 5%~~

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~~11.8—The City should additionally maintain an Equipment Replacement Fund for general asset replacement.~~

132.910 Unemployment Compensation and Self Insurance Reserve Fund

~~This fund will be maintained to accumulate reserves for unanticipated claims for unemployment compensation and/or the City's property damage coverage, liability and automobile insurance deductibles, cost for unemployment claims in addition to covering the cost of insurance deductibles for property and auto insurance.~~

12.101 Additional Reserves

~~The City Council may create additional reserve accounts to set aside funds for specific purposes or special projects for known significant future expenditures, or as general operational reserves.~~

143.0 Special Revenue Policies

143.1 The City ~~will~~ will establish and maintain Special Revenue Funds to account for the proceeds of restricted revenue streams that have legally specified uses in accordance with the Government Finance Officers Association (GFOA) guidelines and best practices.

143.2 Special Revenue Funds ~~should have biennial operating budgets, having biennial operating budgets will~~ be reviewed through the normal budget process, and be included in the City's budget document by the City during the budget process.

154.0 Accounting, Auditing, and Financial Reporting Policies

~~Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes 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.~~

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154.1 ~~The City will maintain revenue and expenditure categories according to state statute and administrative regulation. The City will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classification.~~

154.1 The City of Mill Creek will ensure that City records are audited annually or as directed required by the State Auditor's Office (SAO) and these audits will result in the issuance of a financial opinion. Audit results are available to on the SAO website.

154.2 The City of Mill Creek will establish and maintain a high standard of internal controls and accounting practices overseen by the Finance Director.

14.3 ~~The City accounts for revenues and expenditures on a cash basis.~~

14.4 ~~Reserved~~

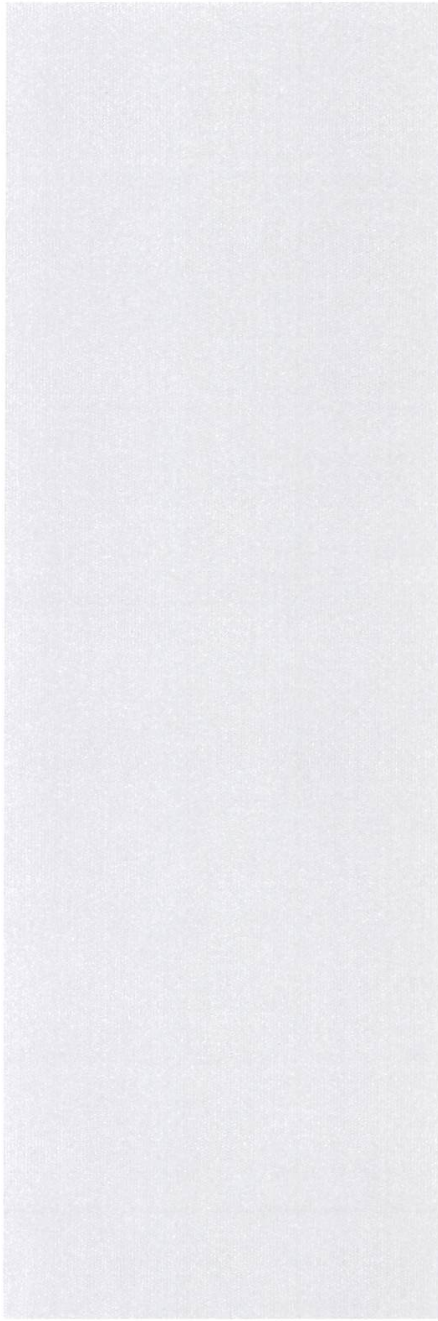
~~14.5—ReservedThe accounting system will maintain accounting records on a basis consistent with accepted standards for small local governments and the State of Washington Budgeting, Accounting, and Reporting Systems.~~

~~154.64 _____ Reports on revenues and expenditures will be prepared monthly and budget reports showing the current status of revenues and expenditures will be prepared and reviewed quarterly with City Council and made available for public inspection.~~

~~154.75 _____ A fixed asset system will be maintained to identify City assets, their location, and their condition for all general government and internal service funds.~~

~~154.86 _____ The City will strive to establish and maintain an asset listing of existing infrastructure by estimating the existing asset infrastructure, including annual depreciation for the Surface Water Fund.~~

DRAFT





Subject: DEBT MANAGEMENT POLICY	Index: Finance Department Number: 300-04
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Effective Date:	Supersedes:	Staff Contact: Peggy Lauerman	Clerk ID Number:	Approved By and Date:
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1.0 PURPOSE:

The Debt Policy for the City of Mill Creek (City) is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth guidelines for the issuance and management of all financings of the City. Adherence to the policy is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations while providing flexibility and preserving financial stability.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions

3.0 REFERENCE:

N/A

4.0 POLICY:

4.1 Uses of Debt

4.1.1 The City of Mill Creek uses debt as a mechanism to equalize the costs of needed capital improvements for the benefit of both present and future citizens.

4.1.2 The City of Mill Creek uses debt as a mechanism to reduce the immediate costs of substantial public improvements.

4.1.3 The City of Mill Creek should not use long-term debt to support current operations.

4.1.4 The City may use short-term debt to cover temporary cash flow shortages, which may be caused by a delay in receipting tax revenues or issuing long-term debt. The City will not use short-term debt for current operations.

4.1.5 Long-term borrowing (greater than three years) should only be used for capital improvements that cannot be financed from current revenues.

4.1.6 Non-capital furnishings, supplies, and personnel should not be financed from bond proceeds.

4.1.7 Interest, operating, and/or maintenance expenses should be capitalized only for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.

4.1.8 Lease purchase financing may be used when the cost of borrowing or other factors make it in the City's best interest.

5.0 Debt Limits

5.1 Legal Limits:

5.1.2 General obligation debt of Mill Creek shall not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City. RCW 39.36.020

5.1.3 The following individual percentages shall not be exceeded in any specific debt category:

- i. General Purpose Debt ~~-2.5% of assessed valuation~~
- ii. Non-Voted; 1.5% of assessed valuation — Limited Tax General Obligation (LTGO) Bonds
- iii. Voted; ~~-an additional 2.5%~~ 1.0 of assessed valuation Unlimited Tax General Obligation (UTGO) Bonds (with voter approval)
- iv. Voted Utility Debt; 2.5% of assessed valuation
- v. Voted Open Space and Park Facilities; 2.5% of assessed valuation

5.2 Public Policy Limits:

5.2.1 The City will maintain a comprehensive multi-year Capital Improvement Program (CIP).

5.2.2 Analysis of funding sources will be conducted for all proposed capital improvement projects.

5.2.3 Debt will be issued in accordance with the CIP as necessary.

5.2.4 When borrowing is recommended, the source of funds to cover debt service requirements must be identified.

5.2.5 The City, as determined by the City Council, may consider using long term debt toward public improvements, which have an identified public benefit to the City, associated with economic development to the extent that new revenues from the

project, in excess of those identified by the City Council for other City purposes can be agreed upon to support the debt service.

5.3 Financial Limits:

5.3.1 The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.

5.3.2 The City will conduct a debt affordability analysis to evaluate the City's ability to support debt. The analysis will review available resources for the amount of debt the City can initiate each year, and project the effects of that financing through six years of the CIP.

6.0 Allowable Types of Debt

6.1 Short Term Obligations: Short-term borrowing should only be used to meet the immediate financing needs of a project for which long-term financing has been approved or secured but not yet received, such as a bond anticipation note. 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 the funds will not impact the fund's current operations. All interfund loans will be subject to Council approval, will bear interest and have terms consistent with state guidelines for interfund loans.

6.2 Assessment/ LID Bonds: Assessment bonds should be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment.

6.3 ~~General Obligation Bonds Limited Tax~~ Limited Tax General Obligation Bonds: Limited Tax General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund or other available money in the City's government fund's revenues and taxes collected by the City. Limited Tax General Obligation (LTGO) Bonds must be issued with the approval of the City Council and should only be issued if: A project requires funding not available from alternative sources; matching fund monies are available which may be lost if not applied for in a timely manner; or Emergency conditions exist.

6.4 Unlimited Tax General Obligation Bonds ~~General Obligation Bonds Unlimited Tax:~~ Unlimited Tax General Obligation (UTGO) Bonds are payable from excess tax levies and is subject to voter approval by 60% of the voters.

6.5 Revenue Bonds: Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Program and are generally payable from the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation

bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

6.6 Leases: Lease purchase or financing contracts are payment obligations that represent principal and interest components which are general obligations of the City.

6.7 Other Loan Programs:

6.7.1 Public Works Trust Fund Loans are loans from the Public Works Board, authorized by state statute, RCW 43.155 to loan money to repair, replace, or create domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste and recycling facilities, and bridges.

6.7.2 The Local Option Capital Asset Lending (LOCAL) Program is a financing contract with the Office of the State Treasurer under RCW 39.94. It is an expanded version of the state agency lease/purchase program that allows pooling funding needs into larger offerings of securities. This program allows local government agencies the ability to finance equipment needs through the State Treasurer's office, subject to existing debt limitations and financial consideration.

6.7.3 Other state funded programs.

6.8 Alternative types of debt: No variable-rate debt or derivative products should be utilized.

7.0 Debt Structuring Practices

7.1 Maximum term, Payback Period and Average maturity:

7.1.1 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life with the average life of the bonds less than or equal to the average life of the assets being financed.

7.1.2 General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by Council.

7.1.3 The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.

7.2 Debt Service Structure:

7.2.1 Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

7.3 Criteria for issuance of advance refunding, if allowed by tax rules, and current refunding bonds

7.3.1 The City will use refunding bonds, where appropriate, when restructuring its current outstanding 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 not be pursued without a sufficient net present value benefit after expenses. The City's goal is to achieve a net present value savings percent of 5% or greater.

7.4 Other structuring practices:

7.4.1 Bond amortization schedules will be structured to minimize interest expense with the constraints of revenues available for debt service. The bonds should include call features to maximize the City's ability to refund or retire the debt early. However, call features should be balanced with market conditions to ensure that the total cost of the financing is not adversely affected.

8.0 Debt Issuance Practices

8.1 Council Approval: City Council approval is required prior to the issuance of debt.

8.2 Analytical Review: An analytical review shall be conducted prior to the issuance of debt including, but not limited to, monitoring of market opportunities and structuring and pricing of the debt.

8.3 Use of credit ratings, minimum bond ratings, determination of the number of ratings and selection of rating services: The City will continually strive to maintain its bond rating by improving financial policies, budget, forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved. The City will maintain good communication with bond rating agencies about its financial condition, coordinating meetings, and presentations in conjunction with a new issuance as necessary.

8.4 Compliance with Statutes and Regulations: The Finance Director, City Attorney and bond counsel shall coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with legal and regulatory requirements by the State of Washington and the Federal Government's laws, rules and regulations.

8.5 Selection and use of professional service providers:

8.5.1 The City Manager shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

8.5.2 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.

8.5.3 Financial Advisor: A Financial Advisor(s) (if any) may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and reviewing/preparing official statements, of disclosure.

8.5.4 Underwriters and Purchasers: 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 debt and reselling the debt to investors. A Purchaser (potentially chosen through a bid process) may be used in a private placement sale method. For a public bond sale, the Underwriter will provide information on market opportunities and conditions, structuring and pricing of debt, and reviewing official statements.

8.5.5 Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders in a negotiated (or competitive) sale. The City Finance Director may act as the fiscal agent in a private placement. In accordance with RCW 43.80, the City will use the Fiscal Agent that is appointed by the state.

8.6 Criteria for determining sales method and investment of proceeds:

8.6.1 The Director of Finance and Administration shall determine the method of sale best suited for each issue of debt.

8.6.2 The City may issue debt through a negotiated process or competitive process, depending on the circumstances should generally, when it is fiscally prudent, issue its debt through a competitive process. For any competitive sale of debt, the City will award the issue to the underwriter offering to buy the bonds at a price and interest rates that provides the lowest True Interest Cost (TIC).

8.6.3 The City should provide for the sale of debt by negotiating the terms and conditions of sale when necessary to minimize the cost and risks of borrowing under the following conditions:

- i. The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- ii. At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
- iii. The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- iv. 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.

8.7 Bond Insurance: For each publicly sold issue, the City will evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively procured.

9.0 Debt Management Practices

9.1 Investment of Bond Proceeds

The City shall comply with all applicable federal, state and contractual restrictions regarding the investment of bond proceeds, including the City of Mill Creek Investment Policy.

9.2 Continuing Disclosure

The City's Disclosure Policy for any publicly sold bonds is attached as Exhibit A.

9.3 Arbitrage Rebate monitoring and filing

The City should, 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 follow a policy of full compliance with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform (internally or by contract consultants) arbitrage rebate calculations for each issue subject to rebate. All necessary rebates will be filed and paid when due in order to preserve the tax-exempt status of the outstanding debt. The City's post issuance compliance procedures are attached as Exhibit B.

9.4 Federal and state law compliance practices

Discussed in Debt Issuance Practices sections 5.3 and 5.4 and Debt Management Practices sections 6.1 and 6.3.

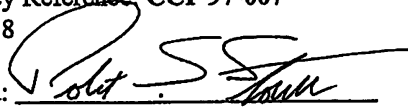
9.5 Market and investor relations efforts

The City shall endeavor to maintain a positive relationship with the investment community. The City shall communicate Mill Creek's indebtedness, as well as its future financial plans through its published Biennial Budget, Capital Improvement Program, and state required financial statements.

9.6 Periodic review

The City's debt policy shall be adopted by City Council. The policy shall be reviewed by City Management and updated every two years during Mill Creek's biennial budget process and Capital Improvement Program update. The policy will then be submitted within these documents and approved by City Council.

ATTACHMENT E

ADMINISTRATIVE PROCEDURE	CITY OF MILL CREEK
City Policy Reference: CCP 97-007 Page 1 of 8	Effective Date: October 15, 1997
Approved:  City Manager	

CITY OBJECTIVES AND PRACTICES FOR THE INVESTMENT OF CITY FUNDS

PURPOSE

To provide policy direction to the Finance Director and his/her designees on the cash management and investment of City resources.

SCOPE

These guidelines and practices shall apply to the investment of all operating and enterprise funds of the City. Except for those funds that are statutorily prohibited, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principals.

ADMINISTRATION

The Finance Director shall be responsible for the administration of the investment and cash management administrative procedures.

OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a) **Credit Risk:** The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities as defined below.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b) **Interest Rate Risk:** The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

2. **Liquidity:** The City's investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist mainly of securities with active secondary or resale markets. A portion of the portfolio may be placed in the Washington State Local Government Investment Pool, which offers same-day liquidity for short-term funds.

3. **Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

STANDARDS OF CARE

Prudence

The standard of prudence to be used by the Finance Director and his/her designees shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. City employees acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of these objectives and practices.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees who play a significant role in the City's investment of assets shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. These employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Delegation of Authority

Authority to manage the investment program is granted to the Finance Director. These powers are derived from Mill Creek Municipal Code Chapter 2.08.050 and Title 35A RCW. The Finance Director shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction for the City except as provided under the terms of this policy and the procedures established by the Finance Director.

SAFEKEEPING AND CUSTODY

Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements

- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the policy, understanding it, and agreeing to comply with the City's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Finance Director or his/her designee.

Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide sufficient assurance that these objectives are met. The concept of sufficient assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by the Finance Director. The internal controls shall, at a minimum, address the following points:

- Prevention of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the City's depository bank and third-party custodian

The Finance Director shall request an annual independent review by the State Auditor, during the annual audit, to assure compliance with policies and procedures.

Delivery vs. Payment

All trades where applicable will be executed by Delivery vs. Payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

SUITABLE AND AUTHORIZED INVESTMENTS

Investment Types

The City's investments shall be consistent with RCW Chapter 36.59, and will include the following:

- Certificates, notes, bonds, 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:
 - Treasury bills.
 - Treasury bonds.
 - Government National Mortgage Association bonds.
- Federal Home Loan Bank notes and bonds.
- Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
- Obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System, such as:
 - Federal Farm Credit Banks consolidated system-wide bonds and discount notes
 - Federal Home Loan Mortgage Corporation bonds and discount notes.
 - Student Loan Marketing Association bonds and discount notes.
- Bankers' acceptances purchased on the secondary market.
- Certificates of deposit of financial institutions located within the state of Washington. All financial institutions must be qualified public depositories as reported by the public deposit protection commission.
- Bonds of the state of Washington and any local government in 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.
- Bonds or warrants of the state of Washington.
- General obligation or utility revenue bonds or warrants of any city or town in the state of Washington.

- Interim financing warrants of a local improvement district that is within the protection of the local improvement guaranty fund law for the benefit of the General Fund.
- Washington State Local Government Investment Pool.
- Repurchase agreements from financial institutions within the state of Washington who appear on the certified list of depositories of the Public Deposit Protection Commission.

Collateralization

Collateralization is required on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102 percent of market value of principal and accrued interest.

The City chooses to limit collateral to the following:

- Short-term U.S. Treasury bills
- Short-term government agency securities
- U.S. Treasury notes and bonds
- U.S. government agencies securities

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of substitution is granted only upon approval of the City.

INVESTMENT PARAMETERS

Diversification

The City shall diversify its investment portfolio by:

- Limiting investments to avoid over concentration by security type and institution. With the exception of U.S. Treasury securities and the Washington State Local Government Investment Pool, no more than 50 percent of the City's total investment portfolio will be invested in a single security type and no more than 25 percent will be invested with a single financial institution;
- Limiting investment in securities that have higher credit risks;

- Investing in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds such as the Washington State Local Government Investment Pool or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Maximum Maturities

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements; holding investments to maturity whenever possible. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase.

Reserve funds and other funds with longer term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Manager and City Council. The City Council shall approve investment in such maturities in advance.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as the Washington State Local Government Investment Pool or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

REPORTING

Methods

The Finance Director shall prepare an investment report at least quarterly and include a management summary that provides an analysis of the status of the current investment portfolio and transactions made during the last quarter. The management summary will be prepared in a manner that will allow the City Council to ascertain whether investment activities during the reporting period have conformed to the investment policy.

Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this procedure. The portfolio should 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's investment strategy is active. As a result, securities are purchased and sold as it best meets the needs of the City as determined by the Finance Director. The Finance Director will be

ADMINISTRATIVE PROCEDURE - Policy Reference No. CCP 97-007

Page 8 of 8

authorized to trade before maturity if it is in the best interest of the City to do so and the Director complies with this procedure and the Council's written policy.

Given this strategy, the basis used by the City Manager and Finance Director to determine whether market yields are being achieved shall be the Average U.S. Treasury Note Rate, which corresponds to the average life of the investments in the portfolio.

G:\DATA\EXEC\WFP\POLICY\97_007.WPD



Agenda Item # F

Meeting Date: May 7, 2019

CITY COUNCIL AGENDA SUMMARY

City of Mill Creek, Washington

AGENDA ITEM: PUGET SOUND ENERGY FEE IN LIEU AGREEMENT WITH THE CITY OF MILL CREEK

PROPOSED MOTION:

Authorize the City Manager to execute a Fee-in-Lieu Agreement with Puget Sound Energy (PSE) in the amount of \$216,185.00 representing the estimated cost to repair and restore City Rights-of-Way disturbed by PSE for their gas line replacement project.

KEY FACTS AND INFORMATION SUMMARY:

On April 12, 2018, the City of Mill Creek approved Puget Sound Energy (PSE) Right of Way Permit No. 2018-0026 to tie into an existing 8" gas main located on 164th St SW, Mill Creek Blvd, 9th Ave SE, and Main Street. The scope of work utilized boring methods, potholes, and asphalt cuts. The City was assured by PSE that full street pavement restoration would be done in September 2018. However, this turned out to be not feasible for PSE and the earliest the grind and overlay restoration could occur would be summer of 2019.

The City of Mill Creek currently has two projects within the footprint of PSE's gas line upgrade along Mill Creek Boulevard:

- Mill Creek Boulevard Land Use and Infrastructure Subarea Plan
The Subarea Plan will be the basis for amendments to the Mill Creek Comprehensive Plan and Municipal Code that will facilitate future redevelopment within the Subarea. Another purpose for the Subarea Plan is to ensure that capital investments in the area are aligned with the City's long-term vision. This plan is scheduled to be complete in April 2020.
- Surface Water Aging Infrastructure Program
This program includes design, construction and construction management to replace or rehabilitate aging surface infrastructure. This currently includes pipes with a diameter of 18 inches or greater. There are multiple repairs needed along Mill Creek Boulevard (Attachment A).

Both of these projects will likely result in physical improvements along the Mill Creek Boulevard Corridor. Hence, should PSE proceed with overlay restoration this summer, it is very likely that it would need to be removed due to infrastructure improvements associated with the two above mentioned City projects. Alternatively, a Fee-in-Lieu of Pavement Restoration Agreement with Puget Sound Energy in the amount of \$216,185 can be executed and these funds

could then be used towards longer term capital improvements along Mill Creek Boulevard (Attachment B).

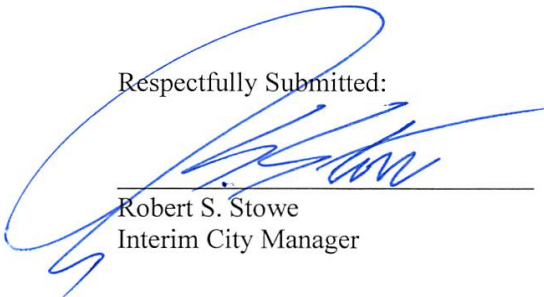
CITY MANAGER RECOMMENDATION:

Authorize the City Manager to execute a Fee-in-Lieu of Pavement Restoration Agreement with Puget Sound Energy (PSE) in the amount of \$216,185.00 representing the estimated cost to repair and restore City Rights-of-Way.

ATTACHMENTS:

- Attachment A: Surface Water Aging Infrastructure Program Improvements needed along Mill Creek Boulevard (large pipes only)
- Attachment B: Fee-in-Lieu of Pavement Restoration Agreement between Puget Sound Energy and the City of Mill Creek

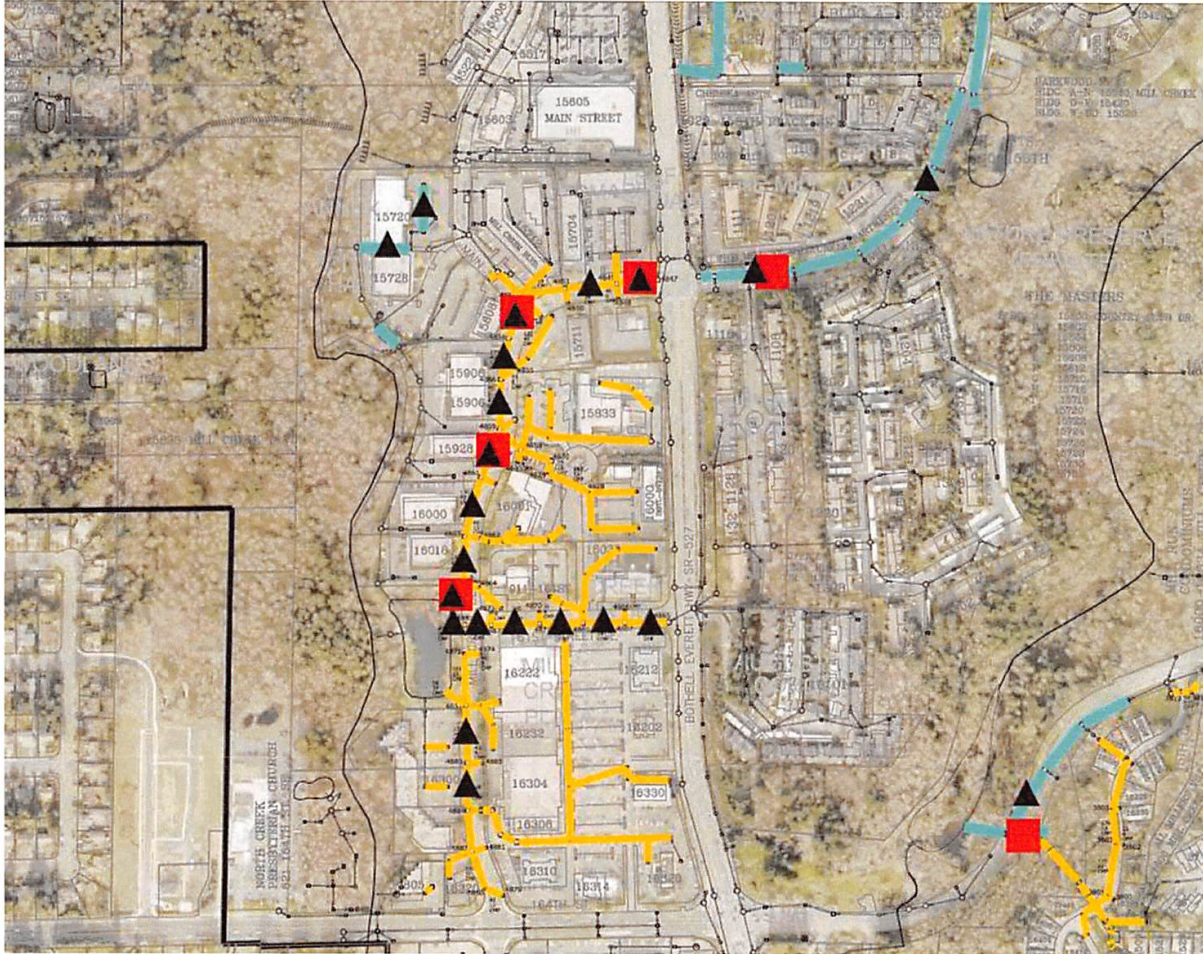
Respectfully Submitted:



Robert S. Stowe
Interim City Manager

Surface Water Aging Infrastructure Improvements

(Large Pipes only)



- ▲ F Failures (construction 2019)
- ▲ C Failures (construction TBD)

Note: Condition assessment of surface water pipes with a diameter of 18 inches or smaller has not yet been conducted.

Prepared May 2019



AGREEMENT

FEE-IN-LIEU OF PAVEMENT RESTORATION

**PUGET SOUND ENERGY
Mill Creek Blvd./Main Street /DuPont Pipe Replacement - 109102102**

Subject to and in accordance with the terms and conditions of this letter of agreement (“Agreement”), Puget Sound Energy, Inc. (“PSE”), agrees to pay to the City of Mill Creek (“City”) the sum of Two Hundred Sixteen Thousand One Hundred Eighty Five dollars (\$216,185.00) representing the estimated cost to repair and restore City Rights-of-Way disturbed by PSE for the PSE DuPont Pipe replacement (“Project”) in Mill Creek (the “Right-of-Way Restoration Work”), as described on the attached Exhibit A. Any and all work not specifically described in Exhibit A or included in the prior Fee-in-Lieu Agreement shall remain the responsibility of PSE.

Notwithstanding any provision in this Agreement or any other Project document to the contrary, and as consideration for the above payment by PSE, the City shall be responsible for and shall perform (or have performed) the Right-of-Way Restoration Work in accordance with the applicable schedule, standards and other requirements established by the City for the Project.

The City hereby releases and will defend, indemnify and hold harmless PSE and its contractors from all claims, losses, harm, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) caused by any negligence of the City or its contractors in the performance of the Right-of-Way Restoration Work. To the fullest extent permitted by applicable law, this paragraph will apply regardless of the negligence of PSE; provided that the City shall not be required to so indemnify PSE against liability for damages to the extent caused by or resulting from the negligence of PSE.

Upon payment to the City, PSE and its contractors shall be released from any further responsibility or costs for the Right-of-Way Restoration Work. The foregoing release shall not extend to any other construction work by PSE as required under approved plans and permits for the Project and shall not extend to other damages or acts of negligence caused by PSE or its contractors related or unrelated to the Project.

ACCEPTED BY PUGET SOUND ENERGY, INC.:

Signature _____ Date _____

Printed Name _____

Title _____

ACKNOWLEDGED AND AGREED TO BY CITY OF MILL CREEK:

Signature _____ Date _____

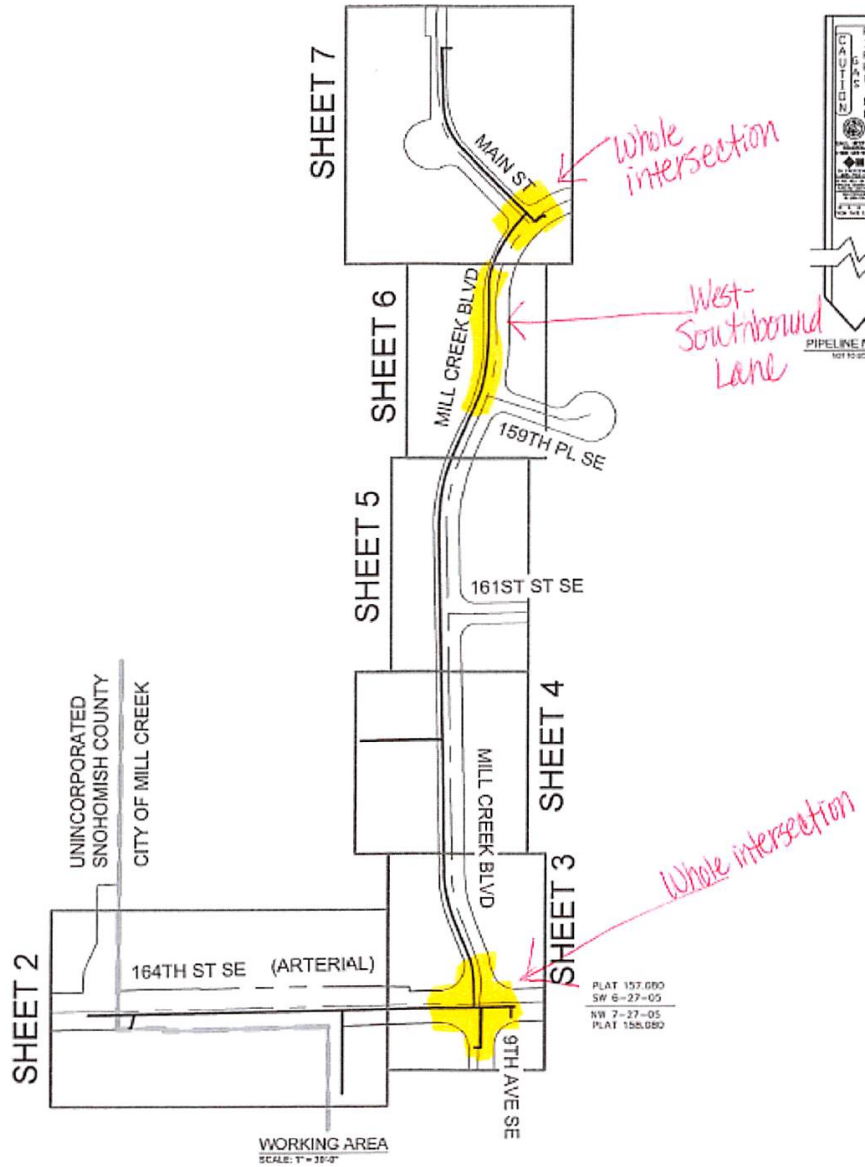
Printed Name _____

Title _____

Revised August 2019

Exhibit A

Mill Creek Blvd./Main Street /DuPont Pipe Replacement Map





MINUTES

City Council Regular Meeting

6:00 PM - Tuesday, January 8, 2019

Council Chambers, 15728 Main Street, Mill Creek, WA 98012

Minutes are the official record of Mill Creek City Council meetings. Minutes document action taken at the council meeting, not what was said at the council meeting.

A recording of this City Council meeting can be found [here](#).

The agenda packet for this City Council meeting can be found [here](#).

CALL TO ORDER

Mayor Pruitt called the meeting of the Mill Creek City Council to order at 6:00 p.m. and led the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE

ROLL CALL

Councilmembers Present:

*Pam Pruitt, Mayor
Brian Holtzclaw, Mayor Pro Tem
Vince Cavaleri, Councilmember
Mike Todd, Councilmember
Mark Bond, Councilmember
John Steckler, Councilmember*

Councilmembers Absent:

AUDIENCE COMMUNICATION

- A. There were no comments from the audience.

PRESENTATIONS

- B. Exploration Park Check Presentation

Snohomish County Council Chair Terry Ryan presented a check for \$100,000 to help fund Exploration Park. Councilmember Ryan thanked staff for being proactive and announced additional funding in the County's budget for play equipment at Heron Park.

NEW BUSINESS

- C. Art & Beautification Board Appointments

Councilmember Todd explained that he and Councilmember Steckler interviewed six candidates to fill three vacancies on the Art & Beautification Board.

Councilmember Todd made a motion to appoint Matt Buchanan, Benjamin Briles and Kenneth Lowery to serve on the Art & Beautification Board for a three year

January 8, 2019 REGULAR COUNCIL MEETING MINUTES

term ending October 31, 2021. Councilmember Cavaleri seconded the motion. The motion passed unanimously.

D. 2019 Council Liaison Assignments

Mayor Pruitt led a discussion on City advocate positions for regional bodies and community organizations. Interim City Manager Bob Stowe briefed Council on the [Southwest Urban Growth Area \(SWUGA\) Boundary Planning Study](#). Council agreed to the updated [2019 Council Liaison Positions](#) and will check availability and interest for WRIA 8 of the new Councilmember once appointed in February.

E. Law Enforcement Officers and Fire Fighters (LEOFF) Disability Board

Interim City Manager Bob Stowe reviewed the purpose of the LEOFF Board and explained that the City was unsuccessful in establishing a Board through Interlocal Agreement with nearby cities or Snohomish County. City Manager Stowe detailed Board membership, jurisdiction, authority, and responsibilities.

Council engaged in discussion. City Attorney Scott Missall answered questions relating to travel reimbursements and will report back on the interpretation of the language. Mayor Pruitt will email the City Manager with her appointments of Councilmember Bond and Councilmember Todd to the Board.

Councilmember Todd made a motion to amend the Ordinance to update provision 4.08.040 to allow up to two members to attend meetings by phone or other electronic connection upon prior notice. Councilmember Bond seconded the motion. The motion passed unanimously.

Councilmember Todd made a motion to adopt Ordinance 2019-844, AN ORDINANCE OF THE CITY OF MILL CREEK, WASHINGTON, ADOPTING MILL CREEK MUNICIPAL CODE CHAPTER 4.08 ENTITLED LEOFF 1 DISABILITY BOARD; ESTABLISHING A LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS DISABILITY BOARD PURSUANT TO RCW 41.26.110; AND ESTABLISHING AN EFFECTIVE DATE. Councilmember Bond seconded the motion. The motion passed unanimously.

F. Adoption of Personnel Policies

Interim City Manager Bob Stowe reviewed previous policy discussions and directed Council to the redline strikeout version of the policy included in the packet to help clarify issues identified at previous meetings. City Manager Stowe summarized key policy changes and explained that the Personnel Administration Manual presents how the proposed policies will be implemented.

Council engaged in discussion. Human Resources Manager Charlie Eikenberry participated in discussion. Staff will report back later in the year with information regarding various performance management systems, including the advantages and disadvantages to linking pay to performance.

Councilmember Cavaleri made a motion to approve Resolution 2019-577 updating the City's Personnel Policies. Councilmember Bond seconded the

motion. The motion passed unanimously.

STUDY SESSION

G. 2019 Community Events

Director of Communications & Marketing Joni Kirk led a study session highlighting 2018 event outcomes, including community attendance, staff time, sponsorship involvement and sustainability. Director Kirk reviewed 2019 proposed community events and recommendations, and detailed key changes to the Memorial Day Parade and Farmers Market.

Council engaged in discussion and would like this topic to be brought back at a future meeting.

H. Community Funding Discussion

Interim City Manager Bob Stowe led a study session on potential approaches to funding non-profit social service groups or neighborhood organizations. Council identified the City's limited resources and would like a policy discussion to be brought back at a future meeting.

CONSENT AGENDA

- I.** Approval of Checks #59549 through #59685 and ACH Wire Transfers in the Amount of \$1,376,773.45
(Audit Committee: Councilmember Todd and Councilmember Steckler)
- J.** Payroll and Benefit ACH Payments in the Amount of \$461,611.48
(Audit Committee: Councilmember Todd and Councilmember Steckler)
- K.** City Council Meeting Minutes of September 11, 2018
- L.** City Council Meeting Minutes of September 25, 2018

Councilmember Todd made a motion to approve the consent agenda. Councilmember Steckler seconded the motion. The motion passed unanimously.

REPORTS

M. Mayor/Council

Mayor Pruitt issued a proclamation recognizing January 21, 2019 as Martin Luther King Jr. Day.

Councilmember Todd thanked staff for participating in the AWC Wellness Program.

Councilmember Todd recognized tomorrow as National Law Enforcement Day and thanked Chief Elwin and the Department for all they do.

- N. City Manager**
 - Council Planning Schedule

January 8, 2019 REGULAR COUNCIL MEETING MINUTES

Interim City Manager Bob Stowe invited Council to join the Leadership Team as they participate in the Municipal Research and Services Center (MRSC) Ethical Considerations webinar on January 16.

Interim City Manager Bob Stowe led a discussion regarding the formation of a community panel to help evaluate city manager finalists on Friday, March 22. Each Councilmember will bring a community panel nomination to the January 22 Council meeting.

O. Staff

- Veterans Service Center
- Potential Meeting and Adoption of a Ship from Naval Station Everett
- Nextdoor Recommendation
- Design Review Board Meeting Minutes of November 15, 2018

Interim City Manager Stowe reported that staff will be attending a meeting on January 16 to learn about Veterans Service Center regulations and requirements and will report back to Council. Mayor Pruitt advised the City Manager that there are already people in the community that handle Veteran services. Council engaged in discussion.

Interim City Manager Bob Stowe reported that City staff will meet with Command staff at Naval Station Everett to discuss the symbolic adoption of the USS Ralph Johnson. City Manager Stowe asked Council to email him if they are interested in participating in the meeting and touring the ship. Parade Coordinator Jon Ramer explained adoption obligations and expectations.

Interim City Manager reported that staff will be conducting a trial usage of the social media platform Nextdoor and will report back to Council in July. Director of Communications & Marketing Joni Kirk identified pros and cons of the platform based on current research. Council engaged in discussion.

AUDIENCE COMMUNICATION

P. Public comment on items on or not on the agenda

Jon Ramer, Mill Creek resident and City Parade Coordinator, explained why parade participation would be greater on Armed Forces Day rather than on Memorial Day.

Carmen Fisher, a Mill Creek resident, asked Council to consider parking accommodations for the Farmers Market. Ms. Fisher expressed her thoughts on how people understand the difference between Veterans Day and Memorial Day. Ms. Fisher reported that she is available on March 22 to participate in the city manager finalist community panel.

ADJOURNMENT

With no objection, Mayor Pruitt adjourned the meeting at 8:28 p.m.

January 8, 2019 REGULAR COUNCIL MEETING MINUTES

Pam Pruitt, Mayor

Gina Pfister, City Clerk

January 8, 2019 REGULAR COUNCIL MEETING MINUTES



MINUTES

City Council Regular Meeting

6:00 PM - Tuesday, January 22, 2019

Council Chambers, 15728 Main Street, Mill Creek, WA 98012

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PLEDGE OF ALLEGIANCE

ROLL CALL

Councilmembers Present:

Pam Pruitt, Mayor

Brian Holtzclaw, Mayor Pro Tem

Vince Cavaleri, Councilmember

Mike Todd, Councilmember

John Steckler, Councilmember

Councilmembers Absent:

Mark Bond, Councilmember

Councilmember Todd made a motion to excuse Councilmember Bond due to illness. Councilmember Cavaleri seconded the motion. The motion passed unanimously.

AUDIENCE COMMUNICATION

A. Public comment on items on or not on the agenda

Bhuwan Chopra, a Mill Creek resident, asked for consideration of a fence permit. Interim City Manager Bob Stowe will have staff contact Ms. Chopra.

Dan Stearns, a Mill Creek resident, asked Council to oppose The Farm development.

Karen Richstad, a Mill Creek resident, commented on an article in the Mill Creek Beacon regarding Councilmember Todd's diversity comments.

John Hartquist, a Mill Creek resident, hopes to see a more diverse Council once the vacant position is filled.

Jon Ramer, a Mill Creek resident, asked Council to please email City Clerk Gina Pfister if they are interested in meeting with Captain Mahon regarding the symbolic

January 22, 2019 REGULAR COUNCIL MEETING MINUTES

adoption of USS Ralph Johnson.

Theresa Logsdon, a Mill Creek resident, thanked Planning Manager Tom Rogers for information regarding the parking situation at Vintage.

PRESENTATIONS

B. Snohomish Health District

Snohomish Health District Administrator Jeff Ketchel and Public & Government Affairs Manager Heather Thomas gave a presentation highlighting agency infrastructure, key initiatives, regional opioid statistics and prevention. Council engaged in Q&A.

PUBLIC HEARING

C. Vintage Development Agreement Amendment

Mayor Pruitt opened the public hearing at 6:43 p.m.

Planning Manager Tom Rogers reviewed the Development Agreement (DA) Amendment to memorialize a previous City and Developer agreement to provide an additional 500 square feet of space to the Senior Center in lieu of space for a new police precinct.

Council engaged in discussion.

Mayor Pruitt opened the public comment portion of the public hearing.

Wil Nelson, a Mill Creek resident, remembers hearing a brief conversation between the former City Manager and Council on this topic.

Theresa Logsdon, a Mill Creek resident, was told by Vintage when she signed her lease that a police substation would be located in the building, and she would still like to see that happen.

Council engaged in discussion again.

Mayor Pruitt closed the Public Hearing at 7:12 p.m.

Mayor Pro Tem Holtzclaw made a motion to approve Ordinance 2019-845, with the correction of three typos mentioned by City Attorney Scott Missal, AN ORDINANCE OF THE CITY OF MILL CREEK, WASHINGTON, AMENDING A 2015 DEVELOPMENT AGREEMENT BETWEEN THE CITY OF MILL CREEK AND VINTAGE AT MILL CREEK, LLC PURSUANT TO MILL CREEK MUNICIPAL CODE CHAPTER 17.19 AND RCW 36.70B.170 ET SEQ. FOR THE PURPOSE OF RELINQUISHING 500 SQUARE FEET OF SPACE IN THE VINTAGE AT MILL CREEK DEVELOPMENT TO THE MILL CREEK SENIOR CENTER, AND AUTHORIZING CITY STAFF TO TAKE APPROPRIATE ACTION TO AMEND THE COVENANT ON BS 15-65; AND ESTABLISHING AN EFFECTIVE DATE. Councilmember Steckler seconded the motion. The motion passed 4-1-0.

January 22, 2019 REGULAR COUNCIL MEETING MINUTES

Councilmember Cavaleri opposed.

OLD BUSINESS

D. 2019 Community Events

Interim City Manager Bob Stowe briefed Council on the three proposed key changes to what have historically been promoted as community events including the creation of Mill Creek Days, Memorial Day events, and the Farmers Market day change.

Council engaged in discussion. Director of Communications & Marketing Joni Kirk answered questions from Council. Council agreed to bring back the Mill Creek Days discussion at a later date, keep the Memorial Day parade, and to hold the Farmers Market on Tuesdays instead of Fridays.

NEW BUSINESS

E. Prosecution Services Agreement

Chief of Police Greg Elwin briefed Council on the long-standing relationship with Zachor-Thomas and explained three substantive changes to the successor contract, including the addition of asset forfeiture support, City representation for the prosecution of Extreme Risk Protection Orders, and the increase of liability insurance.

Councilmember Steckler made a motion authorizing the City Manager to execute a contract with Zachor-Thomas, Inc. to provide uniform prosecution of City charges and prosecutor legal services to the City. Mayor Pro Tem Holtzclaw seconded the motion. The motion passed unanimously.

F. Interlocal Agreement for Emergency Management Services with Snohomish County Department of Emergency Management

Chief of Police Greg Elwin detailed key modifications of the amended Interlocal Agreement (ILA) that help align emergency management efforts across the county and provide standards and consistency. Chief Elwin reviewed the optional services provided in Schedule B and stated that the City does not foresee electing the additional services. Chief Elwin summarized the updated rate assessment and collaborative process to continue support for the community's disaster preparedness efforts. Chief Elwin noted that Deputy Chief of Police Scott Eastman is a member of the Department of Emergency Management Advisory Board.

Council engaged in discussion.

Councilmember Cavaleri made a motion authorizing the City Manager to execute an Interlocal Agreement with the Snohomish County Department of Emergency Management for the purpose of receiving Emergency Management Services. Councilmember Steckler seconded the motion. The motion passed unanimously.

G. Appointment of Community Interview Panel for the City Manager

Council discussed the City Manager interview process, timeline and schedule,

January 22, 2019 REGULAR COUNCIL MEETING MINUTES

interview panel groups and responsibilities, and the community engagement event. Council will email Interim City Manager Bob Stowe with their community panel appointment and alternate.

CONSENT AGENDA

- H. Payroll and Benefit ACH Payments in the Amount of \$283,108.14
(Audit Committee: Councilmember Todd and Councilmember Steckler)
- I. City Council Meeting Minutes of October 2, 2018

Councilmember Todd made a motion to approve the consent agenda. Councilmember Steckler seconded the motion. The motion passed unanimously.

REPORTS

J. Mayor/Council

Mayor Pruitt reported that Brier Mayor Bob Colinas has replaced Mountlake Terrace Mayor Jerry Smith on the Snohomish County 911 Board. Mayor Pruitt reported that she is now the first alternate on the Board.

Mayor Pruitt reported that she attended her first Washington State Enhanced 911 Advisory Board meeting.

Councilmember Steckler reported that due to a prior commitment, he will not be available to attend the Council meeting on February 5 when the new Councilmember is appointed.

Councilmember Cavaleri thanked Heather Thomas from the Snohomish Health District for her efforts to help fight drug related overdoses.

Councilmember Todd reported on the Puget Sound Regional Council (PSRC) meeting that he attended on January 17.

Councilmember Todd reported that a public hearing on the proposed transportation package will be held next week and that he hopes Senator Hobbs will support the package.

K. City Manager

- Council Planning Schedule

L. Staff

- Art & Beautification Board Meeting Minutes of November 14, 2018
- Art & Beautification Board Meeting Minutes of December 12, 2018

AUDIENCE COMMUNICATION

M. Public comment on items on or not on the agenda

Wil Nelson, a Mill Creek resident, clarified his comments from the audience communication portion of the public hearing earlier in the evening. Mr. Nelson agrees

January 22, 2019 REGULAR COUNCIL MEETING MINUTES

with Councilmember Cavaleri and would like to see candy thrown for kids at the Memorial Day Parade.

RECESS TO EXECUTIVE SESSION

(Confidential Session of the Council)

- N. The meeting recessed to executive session at 8:28 p.m. for up to 45 minutes which was subsequently extended until its conclusion at 9:27 p.m. to discuss potential litigation pursuant to RCW 42.30.110(1)(i). City Attorney Scott Missall was present during the executive session. No action was taken.

Mayor Pro Tem Holtzclaw made a motion to extend the meeting up to 9:15 p.m. Councilmember Steckler seconded the motion. The motion passed unanimously.

At 9:10 p.m. Mayor Pro Tem Holtzclaw made a motion to extend the meeting up to 9:30 p.m. Councilmember Steckler seconded the motion. The motion passed unanimously.

ADJOURNMENT

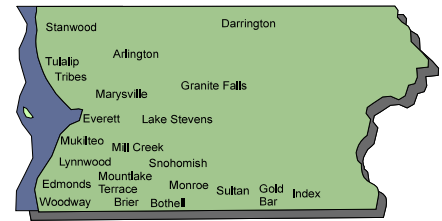
With no objection, Mayor Pruitt adjourned the meeting at 9:28 p.m.

Pam Pruitt, Mayor

Gina Pfister, City Clerk

Snohomish County Tomorrow

A GROWTH MANAGEMENT ADVISORY COUNCIL



County Administration Building
3000 Rockefeller Avenue, M/S 604
Everett, WA 98201-4046

April 29, 2019

Erika Harris, AICP
Senior Planner, SEPA Responsible Official, SEIS Project Manager
Puget Sound Regional Council
1011 Western Avenue, Suite 500
Seattle, WA 98104-1035

SUBJECT: Snohomish County Tomorrow – Comments on the Draft SEIS for VISION 2050

Dear Ms. Harris,

Snohomish County Tomorrow (SCT) appreciates the opportunity to comment on the Draft Supplemental Environmental Impact Statement (DSEIS) for VISION 2050. These comments build on SCT’s recommended approach to the VISION 2040 update, as outlined in a letter to PSRC on December 17, 2017.

Many of the suggestions and new concepts that were provided in our letter have been incorporated into the VISION 2050 project. SCT appreciates the extent to which these suggested changes and improvements to the regional plan have been accepted by PSRC into the approach to VISION 2050. SCT also wishes to thank PSRC staff for the extra support they provided to the SCT committees during the DSEIS review process, including a description of the impacts of the three DSEIS alternatives specific just to Snohomish County. This additional material has helped us provide to you our comments on the DSEIS and recommendation for a preferred alternative.

SCT recommends the transit focused growth alternative as the preferred alternative, with some minor adjustments to the population distribution, as described below.

Preferred Alternative – Transit Focused Growth

The December 2017 SCT letter recommended that PSRC use a new approach to develop the Regional Growth Strategy (RGS) growth allocations for VISION 2050 that would focus growth around regional and local growth centers and along major transportation and freight corridors, instead of assigning growth distributions to various categories of jurisdictions based on municipal size and type. The VISION update was also encouraged to recognize that Sound Transit and Community Transit have made significant planning progress for the light rail and BRT systems in Snohomish County and that VISION 2050 should

recognize and support the integrated planning that is occurring. These planned investments suggested that additional growth and density can be supported in Snohomish County's southwest urban growth area, including unincorporated and incorporated areas near high capacity transit stations beyond jurisdictions that are currently categorized as Metropolitan and Core cities.

The alternative which most closely matches the SCT recommendation for a revised approach to the RGS growth distributions is the **transit focused growth alternative**. This alternative assumes a compact growth pattern with accelerated growth near existing and planned high capacity transit investments, including light-rail, bus rapid transit, commuter rail, and ferry terminals. This alternative would result in the largest shares of growth to Metropolitan Cities (Everett), Core Cities (Bothell and Lynnwood), and High-Capacity Transit (HCT) Communities¹.

Outside Metro and Core cities, the transit focused growth alternative places the greatest shares of future growth in the HCT Communities in Snohomish County along high-capacity transit corridors where major investments are being made to create more efficient and frequent options for transit connections and mobility throughout the region.

Growth to other cities and towns would be distributed under this alternative based on the broad objectives for the Regional Growth Strategy. Growth in rural areas and unincorporated areas without access to high-capacity transit and unaffiliated unincorporated areas is the lowest in this alternative, even with the recommended adjustments described below.

Minor adjustment for population recommended to the Transit Focused Growth alternative

SCT's recommended population allocations to outlying unincorporated areas would be slightly increased as a result of shifting 4% of the county's population growth from HCT Communities to the Unincorporated Urban and Rural area geographies to help make these distributions more achievable:

- Under the transit focused growth alternative, only 2% (10,000) of the county's 2017-2050 population growth is assigned to rural areas, down sharply from 10% in VISION 2040 and 8% in our current CPPs. The transit focused growth alternative's assignment of only 10,000 population growth to rural areas over the next 35 years amounts to about what Snohomish County currently typically experiences during a single decade. To limit rural growth to just 2% would be a challenge not just from a zoning perspective, but also from the perspective of limiting the ability of property owners to develop on existing (pre-GMA) substandard vacant lots². The suggested recommendation would be to allocate a potentially more achievable

¹ HCT Communities include cities (other than Metropolitan and Core cities) and unincorporated urban areas (planned for annexation or incorporation) with existing or planned high-capacity transit service. They include the cities of Arlington, Edmonds, Marysville, Mill Creek, Mountlake Terrace, and Mukilteo; and the following unincorporated portions of the southwest UGA: Bothell MUGA, Edmonds MUGA, Everett MUGA, Larch Way Overlap, Lynnwood MUGA, Mill Creek MUGA, and Mukilteo MUGA. This proposed new regional geography directly responds to the December 2017 SCT suggestion that additional growth and density can be supported in Snohomish County's southwest urban growth area, including unincorporated and incorporated areas beyond jurisdictions that are currently categorized as Metropolitan and Core cities.

² To get a general sense of the number of parcels that could potentially meet this definition, a GIS query was run of Assessor parcels outside the UGA in Snohomish County, excluding those recorded since 1995, that were less than 200,000 square feet and greater than 20,000 square feet in size, and were classified as vacant. This resulted in a

growth share reduction in rural areas of 6% (25,000 new residents over 35 years), which is about 4 percentage points less than our current rural growth trends indicate and the lowest share of county population growth going to rural areas compared with the other two alternatives studied. SCT does not support changes to rural zoning and regulations that would reduce the number of lots already legally created in the rural areas.

- Similarly, the Unincorporated Urban geography has a challenge of limiting population growth over the next 35 years to just 3% (12,000 new residents), given that some of these areas represent sizeable development potential with existing or planned high capacity transit service (Cathcart, Lake Stickney gap area). The suggested adjustment would be to make the allocation more realistic by increasing the population growth assignment to 18,000 (4%) for these areas.

Even following the shift of 4% of the county’s population growth from HCT Communities to the Unincorporated Urban and Rural area geographies, half of Snohomish County’s 2017-2050 population growth would be assigned to the HCT Communities geography – the largest share of county population growth projected for any of the regional geographies.

We anticipate that a characterization of the impacts associated with these minor adjustment to the transit focused growth alternative in Snohomish County would be in the range of impacts analyzed in the DSEIS but request that the analysis confirm this assumption during preparation of the Final SEIS.

Favorable results from the analysis of impacts of the alternatives

The analysis of the regional impacts for the three alternatives studied in the DSEIS show that the transit focused growth alternative showed the greatest reduction in impacts across a range of environmental indicators that were studied, compared with the “No Action, Stay the Course” alternative. This observation was also made when the impacts of the alternatives were studied specific to Snohomish County.

Other RGS and VISION-related considerations are discussed below.

Jobs/Housing Balance

For the VISION 2050 transit focused growth alternative, a policy decision to shift 5% of the region’s employment growth from King County to the outlying counties was made, resulting in Snohomish County receiving 2% more of the region’s employment growth to 2050 compared with the no action alternative. This resulted in an improved jobs/housing balance at the county level with the transit focused growth alternative compared with the no action alternative, however the increase was marginal. PSRC should consider evaluating further decentralized employment growth in the region, especially anticipating a time when the region’s high capacity transit system is more extensive and more fully built out.

In Snohomish County, an upward adjustment to future employment growth may be justified by recent events not studied in the DSEIS that would potentially facilitate greater interest in employers choosing sites in the Paine Field area (in response to the recent arrival of commercial airline service) and

count of 3,331 parcels. At 2.7 persons per unit, this source of potential capacity alone could account for a future 9,000 population increase outside the UGA.

Arlington-Marysville area (in response to an anticipated designation of this area by PSRC as a regional Manufacturing/Industrial Center).

SCT requests that VISION 2050 include UGA boundary flexibility to allow for changing population distribution, taking into consideration logical service and natural boundaries.

Timing of Growth

An understanding of the timing of when the transit focused growth distributions could be expected to be realized over time is not apparent in the DSEIS analysis. The transit focused growth alternative may be the preferred choice, but some consideration may need to be made to the fact that there is still some time before significant segments of the regional transit investments are complete. The VISION update should evaluate a timing component to the regional growth strategy that includes interim-year growth assignments so that a rationale for eventual realization of the 2050 growth assignments can be articulated and understood. Local jurisdictions would be able to use this information to not only plan for where the growth is likely to occur, but also when it would likely occur based on transit construction and corresponding market adjustments. This should also include an assumption regarding potential post-2036 high capacity investment and implementation decisions (e.g., Sound Transit 4) that the region may make well before the end of the 2050 plan horizon.

Flexibility for Subsequent Countywide Target Setting Process

As stated in our December 2017 letter, SCT believes that the growth figures provided in the RGS should recognize economic fundamentals and realistic timelines for realization of these shifts in future growth distributions. This recognition is warranted given the uncertainties in timing of the necessary urban infrastructure investments and anticipated market responses. As such, the RGS growth allocations should be provided by PSRC as guidance to the subsequent Countywide Planning Policy/local target setting process. The region needs to be able to adapt and adjust when unforeseen shifts in the regional economy occur or growth opportunities in local urban centers in cities and towns change the fundamental assumptions used to establish the growth assignments.

This recommendation extends to the idea that the transit focused growth alternative's goal of directing 75% of the region's population and employment growth to areas in close proximity to the existing and planned high capacity transit station area locations was intended to be a modeling goal rather than an exact policy goal. This modeling goal should result in a population and employment growth distribution by regional geography that will be the basis for disaggregating to individual jurisdictions within each regional geography through the countywide planning process, and there should not be an expectation that each Metro and Core cities, and HCT Communities' local plans will demonstrate accommodation of 75% of its assigned growth within the specific vicinity of the station areas. Instead, each jurisdiction has flexibility in designing a land use element that adequately responds to the RGS regional geography-based distribution and other policy directions provided by the MPPs and CPPs.

VISION 2050 should also recognize that market factors and consumer choice are primary drivers of population distribution. While SCT's recommended VISION 2050 regional growth strategy relies on a transit focused growth alternative, local flexibility and authority must be maintained in order to respond to and anticipate actual growth patterns.

Moderate density housing

According to the DSEIS, all three alternatives result in a lower share of moderate density housing in the future than today. However, moderate density housing is important as a source of more affordable market-rate housing and for accommodating growth within UGAs. A preferred growth alternative focused around high-capacity transit should still allow jurisdictions to encourage more moderate density housing production in the future, compared to what was modeled in the DSEIS.

Transportation

Snohomish County, the cities within it, and the region as a whole have invested significantly in transit and facilities that support transit. The adopted RGS should facilitate development that encourages a growth pattern that leverages these investments, especially around access to the locations where billions of dollars are being invested in the high-capacity transit system (ST 2, ST 3, and Bus Rapid Transit locations).

VISION 2050 should continue VISION 2040's previous efforts to coordinate land use and transportation planning, including improving access to transit stations, and studying and planning for freight mobility (critical to the County's and region's economy), additional infrastructure, and partnerships that will be needed to realize this vision, such as increased coordination with WSDOT. PSRC should work closely with and encourage WSDOT's Office of Urban Mobility and Access to plan and clearly show how the state transportation system will serve in a comprehensive way with the region's high capacity transit system to support the projected growth. VISION 2050 should set the stage for this work so that it can be further developed in Transportation 2050.

Tribal Growth

The proposed Regional Geographies map shown in the DSEIS for VISION 2050 shows Tribal Lands separate from Rural Areas. For Snohomish County, the Tulalip Reservation is shown (suggesting that the legend may need to be updated to reference Reservation/Tribal Lands). This is a change from the Regional Geography map used in VISION 2040 in which the Tulalip Reservation was shown as part of the Rural Area. With this map change for VISION 2050, it appears that the Rural growth assignment would exclude the Tulalip Reservation. Accordingly, our interpretation of this mapping change is that population and employment growth that may occur on Reservation Lands are not guided by the RGS allocations since these areas are sovereign nations not subject to GMA and VISION 2050 planning requirements. This understanding that Tribal growth that may occur is not counted as part of a county's rural growth, however, is not explicitly acknowledged in the DSEIS, but should be acknowledged in the Final SEIS and in VISION 2050. If not counted as part of the county's rural growth assignment, is growth on Reservation Lands also not part of the countywide growth assignment under the RGS? And if not, what are the implications of this on our ability to plan comprehensively for the county's transportation system needs?

There are other Reservation Lands in Snohomish County that do not appear to be mapped in the proposed Regional Geographies map (e.g., Stillaguamish Tribe). However, these additional Reservation Lands should also be recognized in VISION 2050 as not being guided by the RGS allocations.

Social equity

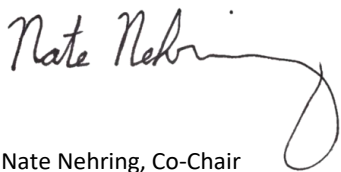
SCT appreciates the information and evaluation of social equity impacts across the alternatives. PSRC's work in this area has raised awareness locally of the urgent need to address proactively the diversity in the demographics of population growth and particularly the potential displacement of people of color, low income and other at risk populations in areas that are likely to redevelop. As we have seen in other parts of the region, these populations are often disproportionately affected as a result of their proximity to future light rail stations.

In closing, it is worth noting that favorable feedback has been received on the transit focused growth alternative during other recent interjurisdictional forums. The Snohomish County VISION 2050 Growth Summit 2, held on March 21, 2019, had over 100 attendees representing elected officials and staff from our cities and the County, water and wastewater providers, higher education, Community Transit, Sound Transit, PSRC, WSDOT, Tulalip Tribes, affordable housing providers, Snohomish County Public Utilities District, and consulting firms. The event was jointly sponsored by the Snohomish County Cities and Snohomish County Tomorrow. The focus of the Summit was to understand and discuss PSRC's three growth alternatives and the potential impacts of each alternative for Snohomish County. Overall, there was general support expressed for a future growth distribution pattern that recognized the importance of our existing and planned transit system for providing improved regional mobility for future households and employers.

Please feel free to contact us with any questions.

Thank you, again, for the opportunity to comment in advance of determining a preferred alternative for VISION 2050.

Sincerely,



Nate Nehring, Co-Chair
SCT Steering Committee



Liam Olsen, Co-Chair
SCT Steering Committee



Dave Somers, Vice-Chair
SCT Steering Committee



Barbara Tolbert, Vice-Chair
SCT Steering Committee

cc: SCT Steering and Planning Advisory Committees
Barb Mock, Director, Snohomish County Planning and Development Services
Lacey Harper, Executive Chief of Staff
Paul Inghram, PSRC

MAY						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
		Council				
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		Council				
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		Council				
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		Council				

JUNE						
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JULY						
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21	22	23	24	25	26	27
		Council				
28	29	30	31			

Tentative Council Meeting Agendas
Subject to change without notice

Last updated: May 2, 2019

May 14, 2019

(Agenda Summary due May 6)

- Check Presentation to City's AWC Scholarship Nominee
- Presentation: Chamber of Commerce
- Utility Box Project - A&B Board
- Surface Water F Failures - Construction Contract Award
- Study Session: Updates to the Governance Manual

May 28, 2019

(Agenda Summary due May 20)

- Hawk/SR 96 - Consideration of Speed
- Wireless Communication Facilities
- Comcast Settlement Agreement
- Appointment of Mill Creek Blvd Committee
- Study Session: Bond Ordinance
- Study Session: Huntron Lease
- Study Session: Compensation Strategies

June 4, 2019

(Agenda Summary due May 27)

- Presentation: Youth Advisory Board Year-End Recognition
- Presentation: Waste Management
- Heron Park ILA with Snohomish County
- Bank RFP

June 11, 2019

(Agenda Summary due June 3)

- Approval of Bond Ordinance
- Farmers Market Report

AUGUST						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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SEPTEMBER						
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		Council				
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		Council				
15	16	17	18	19	20	21
22	23	24	25	26	27	28
		Council				
29	30					

OCTOBER						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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		Council				
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		Council				
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20	21	22	23	24	25	26
		Council				
27	28	29	30	31		

Possible Work Session Topics for Discussion

- Business signs
- MCCA storm water discussions
- Utility Project Management
- Hotel/Motel Theater Tax
- Mill Creek Blvd Vision
- ST3 Stations
- 5G Presentation
- Legislative Retreat
- Gold Star Memorial
- Dobson Remillard Property
- Fleet Program
- Bike Lanes
- Community Funding Criteria and Source of Funds
- Surface Water System Study Group



Q1 2019 Sponsorship Report

The Communications and Marketing Department is responsible for seeking out sponsorships of City programs and events. The City produces an annual sponsorship package, and works closely with local businesses and community organizations to secure cash and in-kind sponsorships.

Following are the sponsorships secured in the first quarter of 2019, which total \$14,500 in cash and \$27,000 in-kind for a total value of \$41,500.

Platinum Level Sponsor (\$10K+)

- Sprouts Farmers Market: \$10,000 cash

Gold Level Sponsors (\$7,500+)

- Fred Meyer: A value of \$7,500 in-kind of candy and supplies for events
- Waste Management: A value of \$7,500 in-kind of trash and recycling bins at events
- Central Market: A value of \$7,500 in-kind of candy and food donations for events

Silver Level Sponsors (\$3,500+)

- Sullivan Orthodontics: \$3,500 cash

Bronze Level Sponsors (\$1,500+)

- Community Transit: A value of \$3,000 in-kind of ORCA Bus passes for participants to use at events and marketing campaign assistance for an upcoming event
- Nancy's Noah's Ark, Inc.: \$1,500 cash
- Starbucks: A value of \$1,500 in-kind of coffee at events

Individual Event Sponsors (\$500+)

- Mill Creek Chamber of Commerce: \$500 cash
- Copiers Etcetera: \$500 cash
- The Goddard School: \$500 cash
- WMST Drive: \$500 cash

One-Time Donation (\$250-\$499)

- Dentists of Mill Creek: \$250 cash
- Mad Science: \$250 cash
- Mathnasium: \$250 cash
- SafeSplash Swim School: \$250 cash

For more information about sponsorship opportunities at the City of Mill Creek, visit www.cityofmillcreek.com/sponsorships.



15728 Main Street, Mill Creek, WA 98012
Administration 425-745-1891
Police 425-745-6175
All Other Departments 425-551-7254

DATE: April 30, 2019
TO: Mayor and Council
THROUGH: Bob Stowe, Interim City Manager
FROM: Peggy Lauerman, Director of Finance and Administration
SUBJECT: Financial Reports for the period ending March 31, 2019

Attached for your review is the City's budget status report as of March 31, 2019.

As you will recall from the last quarterly report, the Citywide Funds showed a surplus of \$1,755,490 which was added to the City's 2019-2020 reserves.

Citywide Funds currently show a deficit due to the timing of regular and EMS property tax collections in addition to grant money due for the 35th road construction project of \$927,000. Collection of these two revenue streams will generate approximately \$4,900,000 for the City in the second quarter.

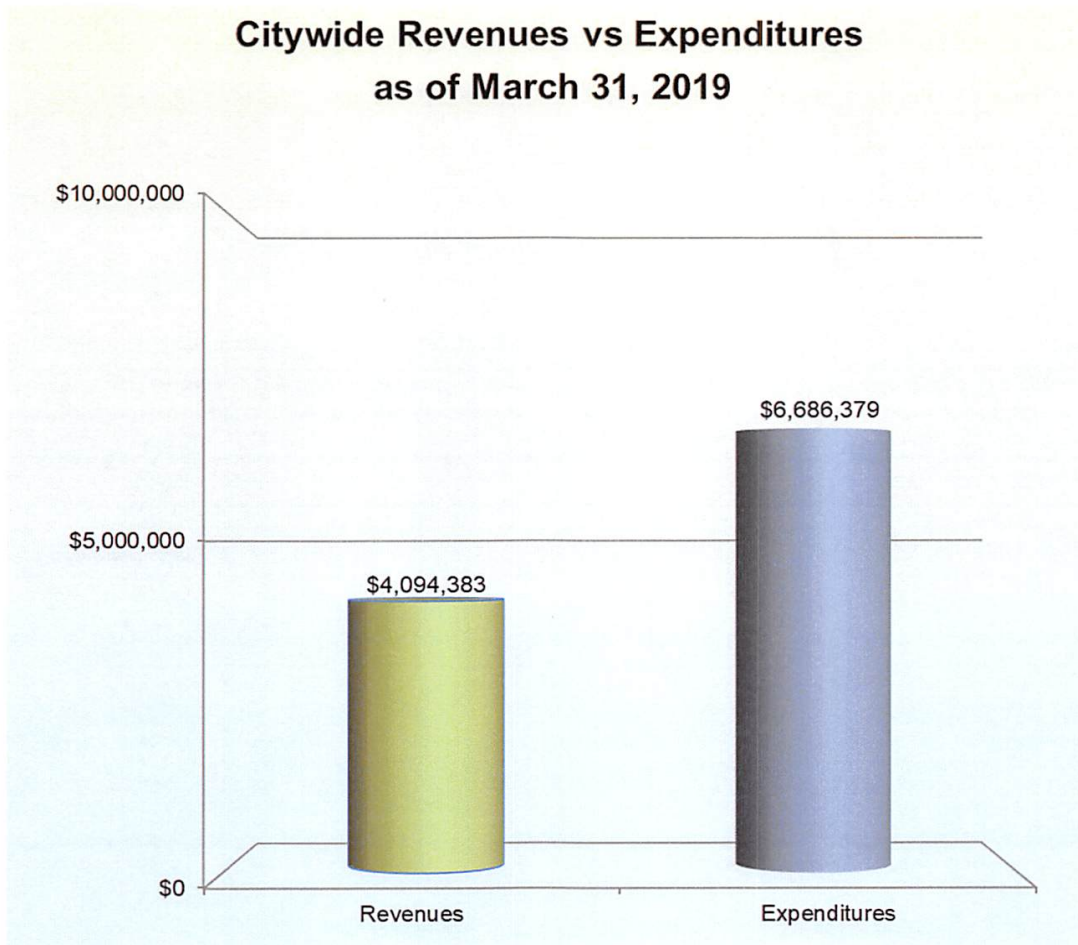
Please contact Interim City Manager Stowe or me if you have any questions concerning the attached financial data.

**City of Mill Creek
2019-2020 Budget Status Report
For the Quarter Ending, March 31, 2019
Executive Summary**



On March 31, 2019, the City concluded the first quarter of the 2019-2020 biennium. The budget period described in this report is 12.5% complete.

**Citywide Revenues vs Expenditures
as of March 31, 2019**



City Wide Funds – Surplus/ (deficit)

- General Fund \$ (1,707,607)*
- Street Fund \$ 9,087
- Capital Improvement Funds \$ (802,863)**
- Surface Water \$ (74,043)***
- Other net \$ (16,570)****

Budget vs Actual Figures		Inflow/Outflow	2019-20 Budget	% of Budget
City Wide Total	Inflow	\$ 4,094,383	\$ 47,491,455	8.6%
	Outflow	\$ 6,686,379	\$ 50,485,657	13.2%
General Fund	Inflow	\$ 1,793,360	\$ 28,195,366	6.4%
	Outflow	\$ 3,500,967	\$ 28,181,353	12.4%
Street Fund	Inflow	\$ 115,113	\$ 1,051,000	11.0%
	Outflow	\$ 106,026	\$ 1,079,047	9.8%
Capital Improvement Funds	Inflow	\$ 2,041,285	\$ 13,261,000	15.4%
	Outflow	\$ 2,844,148	\$ 15,954,281	17.8%
Surface Water	Inflow	\$ 58,020	\$ 4,200,000	1.4%
	Outflow	\$ 132,063	\$ 3,980,748	3.3%

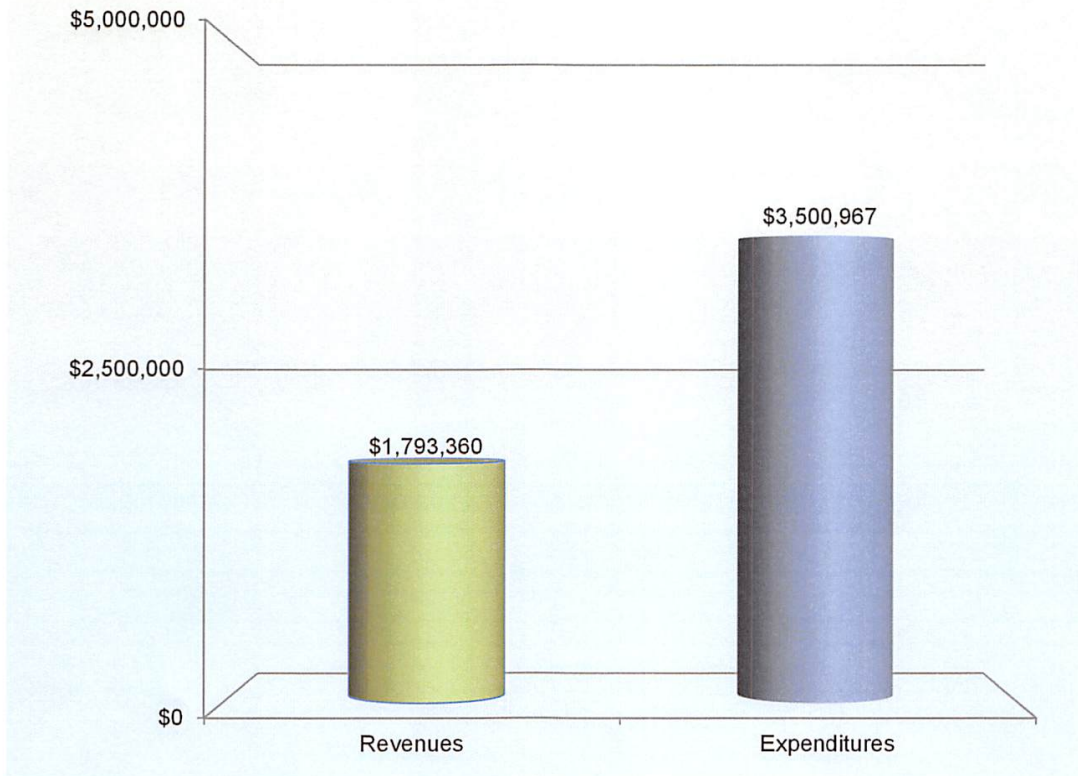
*Expenditures outpaced revenues due to the timing of the collection of regular and EMS property taxes. Expenditures in the first quarter include the fire payment of \$983,000 for contracted fire services.

**The City expects to receive \$927,000 in grant monies for the 35th Avenue reconstruction project in Q2, 2019.

***Principal and interest payment of \$43,000 were paid to the General Fund on the \$500,000 loan made to the Surface Water Fund in 2018. In addition, expenditures related to the aging infrastructure project were \$39,000.

****Acquisition of vehicles in the Equipment Replacement Fund.

**General Fund Revenues vs Expenditures
as of March 31, 2019**



I. ECONOMIC INFORMATION

The State Economic and Revenue Forecast for March, 2019 indicates that the Washington economy is continuing to expand at a rapid pace. Washington annual personal income growth continued to lead the nation in 2018. Seattle home prices continue to weaken though housing construction remains strong. Washington manufacturing activity continues to expand but exports declined over the year. Seattle area consumer price inflation remains above the national average.

The Washington economic forecast is very similar to the November forecast. The forecast expects 2.2% Washington employment growth this year, the same rate expected in the November forecast. Employment growth is anticipated to average 1.1% per year in 2020 through 2023, which is also the same rate as in the November forecast. The forecast

for nominal personal income growth this year is 4.6%, down from 4.7% in the November forecast.

II. GENERAL FUND - REVENUES

	Actuals Through 3/31/2019	% of Budget	2019-2020 Budget
Revenues			
Regular & EMS Property Tax	135,376	0.9%	15,800,000
Sales Tax	913,526	13.6%	6,715,000
Licenses & Permits	166,764	12.2%	1,366,000
Grants/Intergovernmental	89,176	11.3%	788,400
Charges for Services	342,531	13.2%	2,585,700
Fines	25,382	6.6%	382,000
Miscellaneous	120,606	21.6%	558,266
Total Revenues	1,793,360	6.4%	28,195,366

Revenues are currently lagging as a result of the timing of the collection of regular and EMS property tax. The City expects to collect approximately \$4,000,000 in property taxes in the next quarter.

Retail trade sales tax for the period was \$327,584 with service sales tax coming in at \$270,495. Sales tax collections for this quarter represents proceeds from November, December, 2018 and January, 2019. The state has a two month lag from collection to remittance to jurisdictions.

Beginning this biennium, recreation is being reported in the general fund. The amounts related to recreation and rental activity was \$80,670.

The City received \$48,000 for the cell tower lease which is reported in miscellaneous revenue.

III. GENERAL FUND – EXPENDITURES

	Actuals Through 3/31/2019	% of Budget	2019-2020 Budget
Expenditures			
Legislative	25,284	17.1%	148,102
City Manager	87,775	13.7%	641,960
Finance & Administration	178,245	12.0%	1,489,353
Communication & Marketing	112,823	11.8%	954,538
Information Technology	105,161	9.6%	1,099,698
Human Resources	43,448	13.2%	330,388
City Clerk	32,460	12.0%	270,057
Public Safety	1,244,552	12.0%	10,349,517
Fire Services	982,686	12.3%	7,959,759
Non-Department	213,783	33.6%	636,560
Community Development	158,085	9.9%	1,588,813
Public Works	231,385	11.6%	1,996,786
Recreation	85,278	11.9%	715,822
Total Expenditures	3,500,967	12.4%	28,181,353

Non Departmental expenditures included payments for property and liability insurance, voter registration and memberships.

The General Fund balance at the end of the quarter was \$4,466,102 compared to \$5,724,000 for the same period in the previous period. The net decrease in fund balance of \$1,257,000 is the result of the one-time transfer in December, 2018 of \$1,045,000 in addition to the Surface Water loan net balance of \$450,000.

Cash and Investments: (see Cash and Investment Report)

The City's cash and investment balances are \$494,396 and \$16,263,284, respectively. The City invests in U.S. Government Securities and the Local Government Investment Pool (LGIP). As of March 31, 2019, the City had \$4,001,731 invested in securities and \$12,261,554 invested in the LGIP.

General Fund Revenues and Expenditures - Budget vs Actual

	Actuals Through 3/31/2019	% of Budget	2019-2020 Budget
Revenues			
Regular & EMS Property Tax	135,376	0.9%	15,800,000
Sales Tax	913,526	13.6%	6,715,000
Licenses & Permits	166,764	12.2%	1,366,000
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Fines	25,382	6.6%	382,000
Miscellaneous	120,606	21.6%	558,266
Total Revenues	1,793,360	6.4%	28,195,366
Expenditures			
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Public Works	231,385	11.6%	1,996,786
Recreation	85,278	11.9%	715,822
Total Expenditures	3,500,967	12.4%	28,181,353
Change in Fund Balance	(1,707,607)		14,013
Beginning Fund Balance	6,173,709	105.7%	5,841,442
Ending Fund Balance	4,466,102	76.3%	5,855,455

Other Funds Revenues and Expenditures - Budget vs Actual

	Through 3/31/19	% of Budget	2019-2020 Budget
SPECIAL REVENUE FUNDS			
City Street Fund			
Beginning Fund Balance	71,494		129,768
Revenues	115,113	11.0%	1,051,000
Expenditures	(106,026)	9.8%	(1,079,047)
Ending Fund Balance	80,581		101,721
City Hall North			
Beginning Fund Balance	542,553		556,222
Revenues	46,140	12.3%	374,000
Expenditures	(40,302)	4.9%	(817,441)
Ending Fund Balance	548,392		112,781
DEBT SERVICE FUNDS			
Debt Service Fund			
Beginning Fund Balance	12,455		13,991
Revenues	0	0.0%	20,641
Expenditures	0	0.0%	(34,632)
Ending Fund Balance	12,455		0

Other Funds Revenues and Expenditures - Budget vs Actual

	Through 3/31/19	% of Budget	2019-2020 Budget
CAPITAL PROJECT FUNDS			
Real Estate Excise Tax			
Beginning Fund Balance	3,425,873		3,413,733
Revenues	288,736	18.6%	1,550,000
Expenditures	(876,734)	18.4%	(4,771,641)
Ending Fund Balance	2,837,875		192,092
Capital Improvement			
Beginning Fund Balance	1,423,372		1,414,806
Revenues	0	0.0%	740,000
Expenditures	0	0.0%	(1,062,640)
Ending Fund Balance	1,423,372		1,092,166
Park Capital Improvement			
Beginning Fund Balance	2,861,713		2,816,780
Revenues	0	0.0%	2,951,000
Expenditures	(359,011)	12.0%	(2,980,000)
Ending Fund Balance	2,502,701		2,787,780
Road Improvement			
Beginning Fund Balance	3,102,086		2,223,108
Revenue	834,032	10.4%	8,020,000
Expenditures	(1,606,200)	22.5%	(7,140,000)
Ending Fund Balance	2,329,919		3,103,108

Other Funds Revenues and Expenditures - Budget vs Actual

	Through 3/31/19	% of Budget	2019-2020 Budget
ENTERPRISE FUNDS			
Surface Water Utility			
Beginning Fund Balance	649,684		702,060
Revenues	58,020	1.4%	4,200,000
Expenditures	(132,063)	3.3%	(3,980,748)
Ending Fund Balance	575,641		921,312
INTERNAL SERVICE FUNDS			
Equipment Replacement			
Beginning Fund Balance	1,635,650		1,679,081
Revenues	35,423	13.5%	262,449
Expenditures	(62,874)	16.8%	(375,155)
Ending Fund Balance	1,608,199		1,566,375

Cash and Investments Balances

	3/31/2019	12/31/2018
Cash Bank Accounts ⁽¹⁾	\$ 494,396	\$ 108,583
State Local Government Investment Pool (LGIP)	\$12,261,554	\$ 14,377,057
US Government Agency Securities ⁽²⁾	\$ 4,001,731	\$ 4,751,731
Total Cash and Investment Holdings	\$16,757,681	\$ 19,237,371

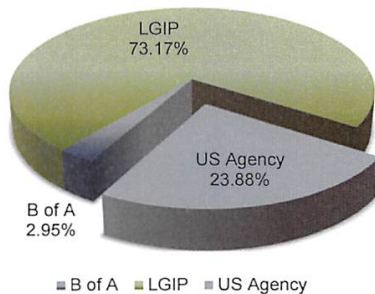
(1) Reflects General Ledger balances, not actual bank cash balances.
 (2) Investments are reported at original cost

Cash and Investments By Fund

	General	REET	CIP	Parks	Roads	Surface Water	Equipment Replacement	Other	Totals
Securities	3,001,758	499,973	-	500,000	-	-	-	-	4,001,731
LGIP	1,255,011	2,232,155	1,423,254	1,997,236	2,321,919	575,174	1,600,328	856,476	12,261,554
Cash	209,334	105,747	118	5,465	7,999	467	7,872	157,395	494,396
Totals	4,466,102	2,837,875	1,423,372	2,502,701	2,329,919	575,641	1,608,199	1,013,871	16,757,681

Investment Summary

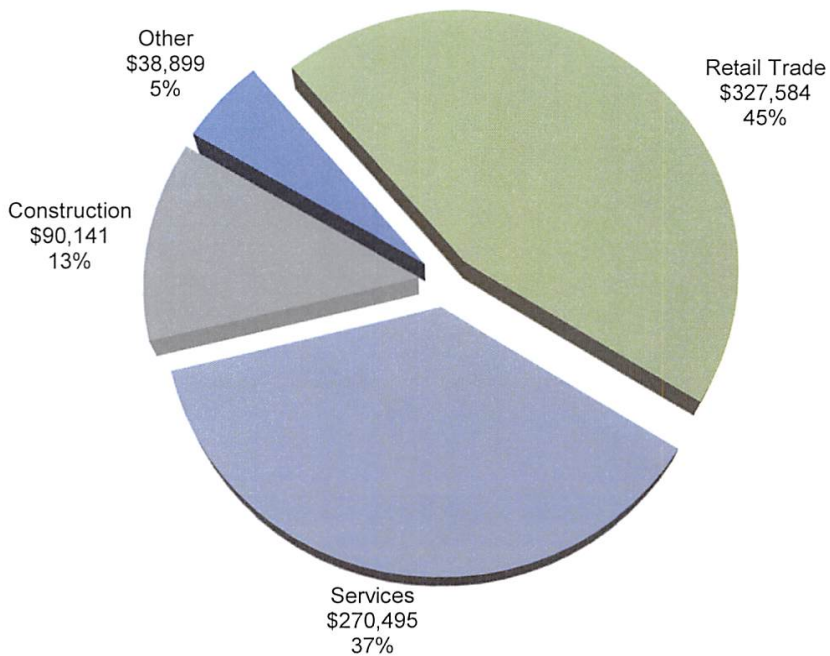
Cash and Investments by Category



Security Type	Amount	% of Investments
US Agency - Original Cost		
Federal Home Loan Bank	\$ 999,999	6.15%
Federal Farm Credit Bank	1,000,000	6.15%
Federal Home Loan Mortgage Corporation	1,001,840	6.16%
Financing Corporation	999,892	6.15%
	<u>\$ 4,001,731</u>	<u>24.61%</u>
Local Government Investment Pool (LGIP)	<u>\$12,261,554</u>	<u>75.39%</u>
Total Investment Portfolio	\$16,263,284	100.00%
Bank of America Checking	\$ 494,396	
Total Cash and Investments	<u><u>\$16,757,680</u></u>	

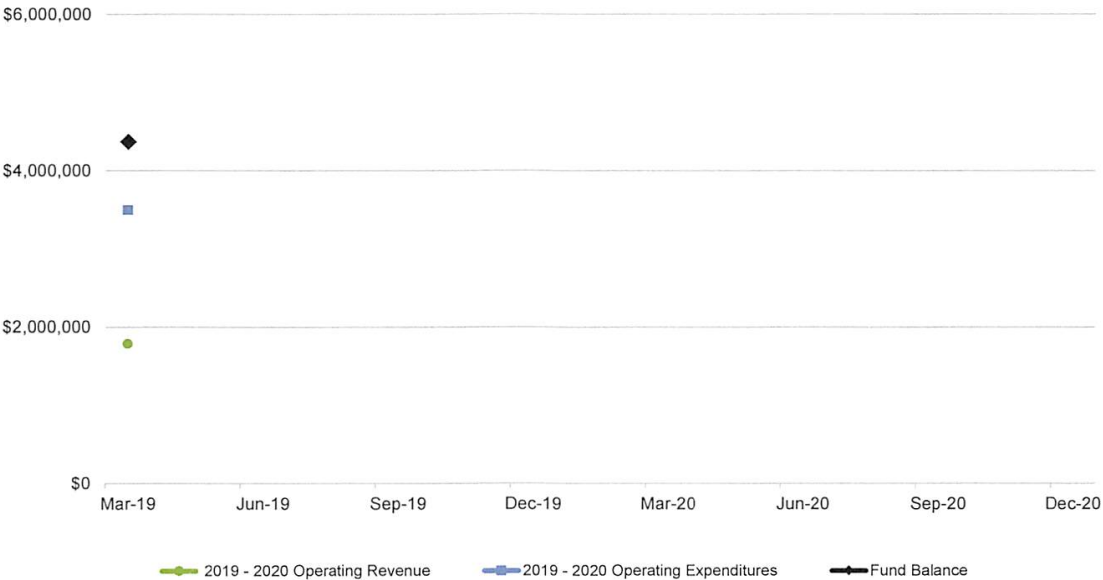
General Fund Revenues

Retail Sales Tax Revenues



	<u>Retail Trade</u>	<u>Services</u>	<u>Construction</u>	<u>Other</u>	<u>Total</u>
Mar-19	\$327,584	\$270,495	\$90,141	\$38,899	\$727,120

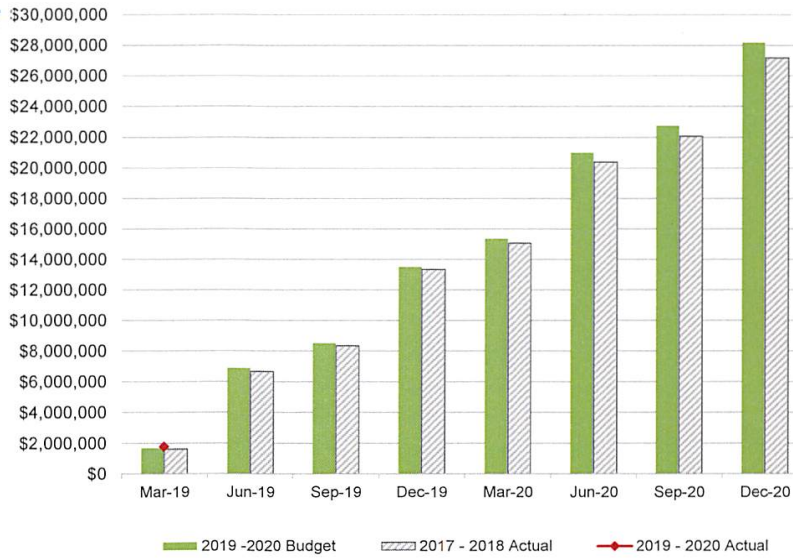
General Fund Revenues, Expenditures and Fund Balance



General Fund Revenues and Expenditures

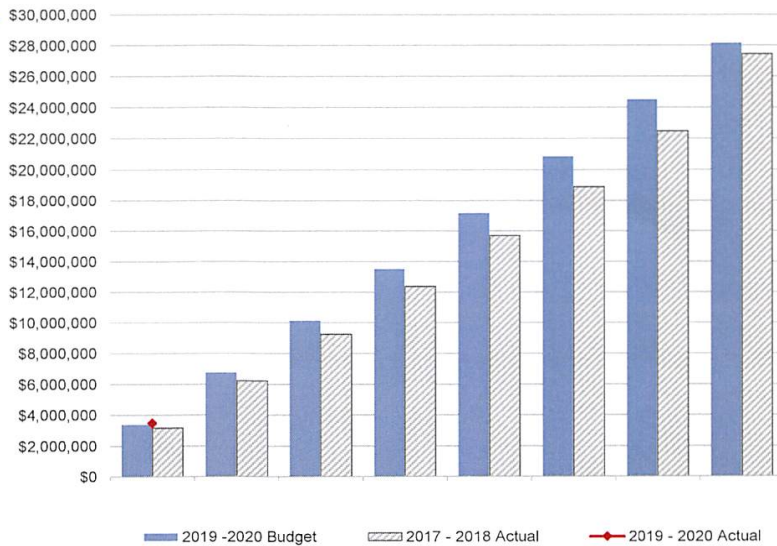
General Fund Revenues

	2019 -2020 Budget	2019 - 2020 Actual
Mar-19	\$1,707,380	\$1,793,360
Jun-19	\$6,903,400	
Sep-19	\$8,527,356	
Dec-19	\$13,533,776	
Mar-20	\$15,383,437	
Jun-20	\$21,012,459	
Sep-20	\$22,771,744	
Dec-20	\$28,195,366	



General Fund Expenditures

	2019 -2020 Budget	2019 - 2020 Actual
Mar-19	\$3,381,762	\$3,500,967
Jun-19	\$6,763,525	
Sep-19	\$10,145,287	
Dec-19	\$13,527,049	
Mar-20	\$17,190,625	
Jun-20	\$20,854,201	
Sep-20	\$24,517,777	
Dec-20	\$28,181,353	





**CITY OF MILL CREEK
DESIGN REVIEW BOARD MEETING MINUTES
February 21, 2019**

Approved April 18, 2019

DRB Members:

Dave Gunter, Chair
David Hambelton, Vice Chair
Tina Hastings
Diane Symms
Beverly Tiedje

Community Development Staff:
Sherrie Ringstad, Associate Planner
Christi Amrine, Senior Planner

I. CALL TO ORDER:

Chair Gunter called the meeting to order at 5:17 p.m.

II. ROLL CALL:

All members were present as noted above.

III. MINUTES:

A. Minutes of December 20, 2018

MOTION: Member Tiedje moved, seconded by Vice Chair Hambelton, to approve the December 20, 2018 minutes as presented. The motion was approved unanimously.

IV. ELECTION OF OFFICERS:

A. Election of Chair and Vice Chair

MOTION: Member Symms moved, seconded by Member Tiedje, that the current Chair and Vice Chair continue in their respective roles. The motion was approved unanimously.

Design Review Board Meeting Minutes
February 21, 2019
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IV. NEW BUSINESS:

The Farm Informal Review

Senior Planner Christi Amrine introduced the agenda item, noting that this will be the Design Review Board's third informal review for The Farm at Mill Creek project. She noted that the applicant is specifically looking for input on the entry, public plazas, building elevations, retail elevation options and the area between the parking structure and Building F. She introduced the Architect Chris Olsen and Landscape Architect Roby Snow.

Chris Olson, Olson Projects, 3424 South Manito Boulevard, Spokane, WA 99203

Mr. Olson, the project architect, reviewed the entry and frontage landscaping stating that the roadway buffer will be landscaped with a mix of lawn, street trees, shrubs and seasonal color and will feature a meandering sidewalk.

Roby Snow, Landscape Arch., Blueline, 15200 32nd Ave South #210, Tukwila, WA 98188

Mr. Snow, the landscape architect, explained that the landscape and entry design is intended to honor its history with an agrarian/farm character.

The Board discussed the roadway buffer and agreed that they like the use of some lawn areas and concurred that is important that the areas designated for lawn be a usable shape and size.

Chair Gunter suggested that the location for the tenant's mail box be moved off the spine road to an interior location that won't be as likely to interfere with traffic.

The DRB discussed the spine road and some concern was expressed that it is narrower where it turns the corner adjacent to Buildings A3 and A4. Ms. Amrine explained that the road is a public road and will have the full required width; however, no street parking is proposed which makes the street appear narrower than it actually is.

The Board discussed the southern property boundary and Mr. Olson confirmed that it is likely that the applicant will be installing new fences adjacent to the existing residential uses.

The Board discussed the lack of a sidewalk for the two rows of parking adjacent to the wetland buffer and directly west of Building A3. The applicant explained that this area is very constrained because of the wetland and there wasn't room for a sidewalk.

The Board also discussed the use of a pavement change to delineate the pedestrian way when there is a crossing of the spine road.

Member Hastings asked if the applicant would be using the same benches that have been used elsewhere in the East Gateway area? The applicant confirmed that they would likely

Design Review Board Meeting Minutes
February 21, 2019
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use the same benches along the spine road but may use other bench styles more representative of the agrarian theme in areas that are out of the public right-of-way.

Member Hastings expressed a concern about the use of galvanized planters and the potential for zinc to get into the wetland buffer. Several Board Members concurred. It was suggested that poured concrete might be a better alternative.

Member Symms asked about the roadway improvements on 41st Avenue SE and Mr. Olson confirmed that the final road will be constructed to full width, so it will be about twice as wide as it is now. Ms. Symms suggested adding lawn area to the 41st Avenue entry area.

The Board discussed the transition area between the garage and Building F and Mr. Olson stated that this area is intended for building tenants and not the general public. It will be well lit for safety.

Vice Chair Hamblen expressed a concern about the white walls on the garage. Mr. Olson explained that there is actually quite a bit of variation – it just doesn't show well in the elevation drawings.

Mr. Olson explained that following the Binding Site Plan approval, the applicant will bring the building elevations back for formal review in small groupings or individual buildings. The Board said that it would be helpful to have the landscaping proposed adjacent to the buildings presented at the same time the building is presented.

V. **ADJOURNMENT:**

Chair Gunter adjourned the meeting with the consensus of the Board at 6:38 p.m.

Submitted by:


Sherrie Ringstad, Associate Planner

**CITY OF MILL CREEK
PLANNING COMMISSION MEETING MINUTES
March 21, 2019**

Approved April 18, 2019

I. CALL TO ORDER:

Chair Eisner called the meeting to order at 7:00 p.m.

II. ROLL CALL:

Chair Stan Eisner
Vice Chair Matthew Nolan
Commissioner Steven Maloney (absent)
Commissioner Brian Hyatt
Commissioner Daniel Mills
Commissioner Jennifer Parker (absent)
Commissioner Dennis Teschlog

Staff:
Tom Rogers, Development Services Manager
Sherrie Ringstad, Associate Planner

III. APPROVAL OF MINUTES

Planning Commission Meeting of February 21, 2019

MOTION: Vice Chair Nolan moved, seconded by Commissioner Hyatt, to approve the February 21, 2019 minutes as presented. The motion was approved unanimously.

IV. WORK SESSION

Small Cell Wireless Facilities – Potential Code Amendments

Associate Planner Sherrie Ringstad noted that the agenda item before the Commission is a continuation of the discussion on wireless communication facilities. She explained that the revisions suggested by the Commission at their February Study Session have been included in the revised version of the Code. In addition, following the Planning Commission meeting, staff and the City Attorney meet with representatives from Crown Castle, Verizon, and PUD to get their input on the proposed Code as well as to discuss light pole standards that would be acceptable for the individual carriers. The meeting was positive with minimal issues with the Code being identified by the carriers. Some amendments have been incorporated into the revised Code to address the carrier’s issues. Ms. Ringstad said that staff specifically asked the carriers about the potential for trees to interfere with the signal site lines. The carriers said they don’t expect trees to be a problem or anticipate the need to remove trees.

In addition the City Attorney Elana Zana and staff have proposed additional minor changes, which have also been incorporated into the Code. Ms. Ringstad noted that the presentation will not include the minor housekeeping amendments; it would be a review of the substantive amendments as follows:

Pg 8	17.29.030.F,H,R	The term “cellular telephone network” was replace with the more current term “personal wireless
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 Page 2

		service” and a definition of personal wireless services was added.
Pg 10	17.29.040.E	A section identifying exempt wireless communication facilities was added – initially to exempt small satellite dish antenna but expanded to include emergency communications equipment, routine maintenance or repair, vested equipment, and public safety radio systems.
Pg 10	17.29.050.A	Pre-application meeting is encouraged.
Pg 11	17.29.050.B.7	Struck documentation showing that the facility will not cause interference with other WCF because it is outdated.
Pg 11	17.29.050.B.8	Reword regarding documentation that the applicant has made a reasonable attempt to find a co-location site.
Pg 12	17.29.070.A	Struck “The proposed use is harmonious and appropriate in design, character ...” covered by G.2, which requires the WCF to comply with design standards.
Pg 13	17.29.080.D,E	Reword to clarify intent. <u>New monopole structure proposed in a commercial or business zone district, where the sole purpose is for wireless communication facilities; i.e., monopole or other type of tower located in a commercial or business zone</u>
Pg 19	17.29.190	Modified to remove C. Overview because not appropriate for the Code, more of an explanation. Moved applicable section “permits issued by the Director” to A. Reworded B. to clarify franchise language.
Pg 20	17.29.190.E.1.b	Modify to make it clear that removing tree is discouraged and referring to MCMC 12.16.1500 if trees do have to be removed.
Pg 21	17.29.190.E.4.b	Reword to strengthen <u>“That applicant must demonstrate that no technically feasible alternative location exists, which is not directly in front of a window or views.”</u>
Pg 24	17.29.210.B	Added upon request.
Pg 24	17.29.210.C&E	Modified time limit for extension from 12 months to 6 months and operational activity from 12 months to 6 months with a 6 month extension for if delay is due to inability to connect to electrical or backhaul facilities.
Pg 26	17.29.260.A.2	Reorganized for clarity – minor text additions. Looks like more than it is.
Pg 28	17.29.260.A.3	Encourage equipment enclosure as close to antenna as possible – staff found it to be less intrusive when the

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		equipment enclosure is placed higher. It also works better when close.
Pg 29	17.29.260.B.3	Option to replace wooden pole with non-wooden pole.
Pg 31	17.29.260.D.8	Allow strand mounted facilities if pole has pre-existing communication wire lines.
Pg 35-42	Sections 5 – 25	Modifying zone districts to move WCF from Conditional Use to Principal Use.

Ms. Ringstad shared several photos of potential light standards that came from the carriers at the meeting with staff and PUD. The photos show the equipment enclosure located closer to the top of the light pole. She noted that Verizon and Crown Castle had agreed to work with PUD to come up with a light standard that might work for a majority of the carriers.

Ms. Ringstad stated that a Public Hearing will be scheduled in April to take public testimony prior to the Planning Commission making a recommendation to the City Council.

VI. FOR THE GOOD OF THE ORDER

Development Services Manager Tom Rogers reported that the City issued a Request for Qualifications (RFQ) for a consultant to assist with the Land Use and Infrastructure Subarea Plan for the Mill Creek Boulevard Corridor. Staff was pleased with the quality of the submittals and has selected the team assembled by Otak Engineering. He noted that the Planning Commission will be involved in the process and once staff has had a chance to meet with Otak, we'll have a better idea of what that involvement might include.

Mr. Rogers stated that the Public Works and Development Services Department has just completed their Work Program for the 2019-2020 biennium. It was suggested that staff share the Work Program with the Commission and Mr. Rogers agreed to include a review of the Work Program on the April agenda.

VII. ADJOURNMENT

Chair Eisner adjourned the meeting with the consensus of the Commission at 7:45 p.m.

Submitted by:


Sherrie Ringstad, Associate Planner