

CITY OF SULTAN
RESOLUTION 20-04

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SULTAN ADOPTING
POLICIES FOR FISCAL AND FINANCIAL MANAGEMENT FOR THE CITY

WHEREAS, the City Council of the City of Sultan deems it beneficial for the City to have written and adopted financial policies; and

NOW, THEREFORE, be it resolved by the City Council of the City of Sultan as follows:

Section 1. The attached polices for:

- A. Signature Stamp - Revised
- B. Debt Management - Revised
- C. Cash Handling Policy
- D. Investment Policy

are incorporated herein by this reference as if set forth in full is hereby adopted as official policies for the City.

Passed by majority vote of the Sultan City Council in open meeting this 27th day of February 2020.



Mayor Russell Wiita

Attest:



Tam Pevey, City Clerk

CITY OF SULTAN
SIGNATURE STAMP USE POLICY AND PROCEDURE

Purpose:

The purpose of the policy is to establish a procedure for use of signature stamps to ensure that no misuse or improper use occurs.

Departments Affected:

All City Staff, Mayor, and Councilmembers.

Policy:

Acquisition of signature stamps must be approved jointly by the City Administrator and Mayor. In the absence of a City Administrator the City Clerk will be the second approving authority. The Mayor's signature stamp must be registered with the Secretary of State.

Signature stamps for the Public Works and Planning Departments may only be used on preliminary design and construction documents.

Signature stamps may not be used on any original ordinance, resolution, certificate, contract, permit, final plat documents, any document to be recorded or other legally binding document.

Signature stamps may be used on other types of documents, provided the stamp-holder has been given prior authorization on a "stamp authorization form" and the clerk or other individual using the stamp on the letter, signs their initials in a legible manner.

In the Finance Department, the accounts payable and payroll checks require two signatures. The Mayor's signature stamp may be used on payment checks after such payment has been approved. The City Clerk or their designee shall be authorized to use the Mayor's signature stamp on checks. The second signature must be an original signature by an authorized bank account signee (Finance Director, City Clerk or City Administrator).

Except as expressly set out, other uses are prohibited. Signature stamps are to be stored in a secure location. The City Clerk will maintain custody of the Mayor's signature stamp.

**CITY OF SULTAN
DEBT MANAGEMENT POLICY**

The Debt Policy for the City of Sultan (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.

Section 1. Uses of Debt

- 1.0 City of Sultan uses debt as a mechanism to equalize the cost of needed capital improvements for the benefit of both present and future citizens;
- 1.1 City of Sultan uses debt as a mechanism to reduce the immediate costs of substantial public improvements.
- 1.2 The City of Sultan will not use long-term debt to support current operations.
- 1.3 Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- 1.4 Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- 1.5 Interest, operating, and/or maintenance expenses will be capitalized only for enterprise activities, and will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- 1.6 The City will not borrow money to fund studies.

Section 2. Debt Limits

2.0 Legal Limits:

- 2.1.1 The general obligation debt of Sultan will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City. RCW 39.36.020
- 2.1.2 The following individual percentages shall not be exceeded in any specific debt category:
 - General Debt – 2.5% of assessed valuation
 - Non-Voted – 1.5% Limited Tax General Obligation (LTGO) Bonds
 - Voted – 2.5% Unlimited Tax General Obligation (UTGO) Bonds
 - Utility Debt – 2.5% of assessed valuation
 - Parks and Open Space – 2.5% of assessed valuation

1.1 Public Policy Limits:

- 2.2.1 The City will establish and implement a comprehensive multi-year Capital Improvement Program (CIP) to include transportation, water, sewer, stormwater and parks.
- 2.2.2 Financial analysis of funding sources will be conducted for all proposed capital improvement projects.
- 2.2.3 Debt will be issued in accordance with the CIP as necessary.
- 2.2.4 Where borrowing is recommended, the source of funds to cover debt service requirements must be identified.
- 2.2.5 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.

1.2 Financial Limits:

- 1.2.1 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.
- 1.2.2 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.

2.0 Allowable Types of Debt

- 2.1 Short Term Obligations: Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received. The City may issue inter-fund loans rather than outside debt instruments to meet short-term cash flow needs. Inter-fund 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 funds current operations. All inter-fund loans will be subject to Council approval, will bear interest based upon prevailing rates and have terms consistent with state guidelines for inter-fund loans.
- 2.2 Assessment/LID Bonds: Assessment bonds will 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. LIDs are formed by the City Council after a majority of property owners agree to the assessment.

- 2.3 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 revenues and taxes collected by the City. Limited Tax General Obligation (LTGO) Bonds can be issued with the approval of the City Council and will 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.
- 2.4 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.
- 2.5 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.
- 2.6 Leases: Lease purchase or financing contracts are payment obligations that represent principal and interest components which are general obligations of the City.
- 2.7 Other Loan Programs:
- 2.7.1 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 Treasurers office, subject to existing debt limitations and financial consideration.
- 2.7.2 Other state funding programs.
- 2.7.3 Private funding/bank financing
- 2.8 Alternative types of debt: No variable-rate debt or derivative products shall be utilized.
- 3.0 Debt Structuring Practices**
- 3.1 Maximum term, Payback Period and Average maturity:
- 3.1.1 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the assets useful life with the average life of the bonds less than or equal to the average life of the assets being financed.
- 3.1.2 General Obligation bonds will be issued with maturities of 25 years or less unless otherwise approved by Council.
- 3.1.3 The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.
- 3.2 Debt Service Structure:

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

3.3 Criteria for issuance of advance refunding and current refunding bonds:

3.3.1 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 targeted net present value savings percent is 4% or greater.

3.4 Other structuring practices:

3.4.1 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 advance 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.

4.0 Issuance Practices

4.1 Council Approval: City Council approval is required prior to the application and/or issuance of debt.

4.2 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.

4.3 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.

4.4 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 Governments laws, rules and regulations.

4.5 Selection and use of professional service providers:

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

ATTACHMENT C

- 4.5.2 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 debts federal income tax status and any other components necessary for the proposed debt. The Bond Counsel may possibly prepare the official statements of disclosure
- 4.5.3 Financial Advisor: A Financial Advisor(s) shall 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 possibly preparing official statements of disclosure.
- 4.5.4 Underwriters: An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors. For a negotiated bond sale, the underwriter may possibly prepare the official statements of disclosure.
- 4.5.5 Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with RCW 43.80, the City will use the Fiscal Agent that is appointed by the State.
- 4.6 Criteria for determining sales method and investment of proceeds:
- 4.6.1 The Director of Finance and Administration shall determine the method of sale best suited for each issue of debt.
- 4.6.2 The City may issue its debt through a negotiated process or 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).
- 4.6.3 The City will 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 very favorable or 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.
 - v. The City Administrator and Finance Director determine that the negotiated bond sale is in the best interests of the City.

- 4.7 Bond Insurance: For each issue, the City will evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchased by the City shall be competitively procured.
- 5.0 Debt Management Practices**
- 5.1 Investment of Bond Proceeds
The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds, including City of Sultan Investment Policy.
- 5.2 Continuing Disclosure
The City shall provide annual disclosure information to established national information repositories and maintain compliance with disclosure statements as required by state and national regulatory bodies. Disclosure shall take the form of the Comprehensive Annual Financial Report (Cash Basis) unless information is required by a particular bond issue that is not necessarily contained within the Annual Financial Report.
- 5.3 Arbitrage Rebate monitoring and filing
The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will 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 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.
- 5.4 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.
- 5.5 Market and Investor relations efforts
The City shall endeavor to maintain a positive relationship with the investment community. The City shall communicate through its published Budget, Capital Improvement Program and Comprehensive Annual Financial Statement the City's indebtedness as well as its future financial plans.
- 5.6 Periodic review
The City's debt policy shall be adopted by City Council. The policy shall be reviewed every four years by the Council Finance Committee and modifications shall be submitted to and approved by City Council.

CITY OF SULTAN
CASH HANDLING POLICY

Section 1. Purpose

- 1.1 Strong internal controls for cash collection are necessary to prevent mishandling of city funds and are designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process. The City cash handling policy requires that departments receiving cash be approved by the Finance Department and be designated as cash collection points. A cash collection point is defined as a department that handles cash on a regular basis.
- 1.2 "Cash" is defined as coin, currency, checks, and credit and debit card transactions.
- 1.3 Required procedures for cash collection include the following:
 1. Accounting for cash as is it received.
 2. Adequate separation of duties which includes cash collecting, depositing and reconciling.
 3. Proper pre-numbered receipts given for any cash received.
 4. Approval of any voided cash receipts by a supervisor.
 5. Deposit of cash promptly into an authorized City account.
 6. Reconciliation of validated deposit forms to supporting documentation and to the account statement.
 7. Approval by the Finance Department of any changes in cash handling procedures.
 8. Proper safeguarding of cash.
- 1.4 The use of non-city checking or other bank accounts by City personnel for depositing City cash is prohibited. The Finance Department will conduct periodic reviews of cash handling procedures.

Section 2. Who Should Know About This Policy

- 2.1 Any official or administrator with responsibilities for managing City cash receipts and those employees who are entrusted with the receipt, deposit and reconciliation of cash for City related activities.

Section 3. Procedure

3.1 Establishing Cash Collection Points

The Finance Department must authorize all cash collection points. The main cash collection point will be City Hall. Additional departments (i.e. Police Department, off site events such as the annual Cleanup Day) may require status as a cash collection point if city funds are collected. Prior to authorization the department must submit a request to the Finance Department that includes:

1. Reason(s) why cash collection point is needed, and the length of time needed.
2. A list of those positions involved with the cash collection point, a description of their duties and how segregation of duties will be maintained.
3. Whether there is a need for a change advance for a change fund.

ATTACHMENT D

4. A description of the reconciliation process, including frequency of reconciliation.
5. A description of the process for safeguarding cash until it is deposited.
6. A schedule of how often cash deposits will be made.
7. Include a statement documenting the chain of custody for the monies.

The request will be reviewed, and if appropriate, approved by the Finance Department.

3.2 Procedures for Cash Collection Points

The following list of procedures is required for the operation of cash collection points:

1. All cash received must be recorded through a cash register when one is available, or the customer must be presented a pre-numbered receipt form with a duplicate record being retained by the city. All numbered receipts must be accounted for, including voided receipts. Approved pre-numbered receipts are provided by the Finance Office. Redi-form receipts are not acceptable.
2. The cash collection point must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing and reconciling.
3. The funds received must be reconciled to the cash register or to the pre-numbered receipts at the end of the day or at the end of each shift. Cash must be reconciled separately from checks/credit cards by comparing actual cash received to the cash total from the cash register tape or to the sum of the cash sales from the manual receipts.
4. All checks, cash and credit card receipts must be protected by using a cash register or safe until they are deposited. A secure area for processing and safeguarding funds received is to be provided and restricted to authorized personnel.
5. Checks must be made payable to the City of Sultan (COS) and must be endorsed promptly with a restrictive endorsement stamp payable to the City. The endorsement stamps should be ordered through the Finance Department.
6. Checks or credit card transactions will not be cashed or written for more than the amount of purchase.
7. Receipts of more than \$500.00 in the Treasurer's receipt cash register must be deposited daily. Treasurer's receipts regardless of the amount must be deposited on the last working day of the week. All funds must be deposited intact, and not intermingled or substituted with other funds.
8. Refunds or expenditures must be paid through the appropriate budget with a City generated check.
9. The Finance Department will issue a receipt of deposit to be used for reconciliation of the supporting documentation to the deposit and to the monthly statements of account.

Section 4. Instructions

4.1 Cash received in person

1. A receipt must be issued for each payment received. At a minimum, manual pre-numbered receipts must include the date, mode of payment (cash, check or credit card), and the identification of the department and the person issuing the receipt. Machine generated receipts must contain similar information.
2. Verify that all bills \$20 and over are not counterfeit.
3. All checks must be endorsed immediately with a restrictive endorsement stamp payable to The City.
4. All voided transactions are to be approved and initialed by a supervisor.
5. Only authorized employees are allowed access to a cash register or cash drawer.
6. Cash must be kept in the cash register or safe until it is deposited.

4.2 Cash received Through the Mail

1. The mail must be opened as soon as possible, and all checks must be endorsed with a restrictive endorsement stamp. All receipts of coin or currency received by mail or picked up in the payment drop boxes must be logged and verified by two people.
2. If the cash is not credited directly into the appropriate City account or receipted through a cash register, a list of the checks, credit card transactions and or cash should be prepared in duplicate. The list should include the customer's name, amount received, and check number. One copy should be kept in a secure area and the other should accompany the deposit.
3. Cash must be stored in the cash register or safe until they are deposited. This includes a locked room with restricted access.

4.3 Balancing of Cash Receipts

1. All funds collected must be balanced daily, by mode of payment, by comparing the total of the cash, checks and credit cards to the cash register totals, to the pre-numbered receipts totals and to the totals of the money received by mail.
2. Over/short amounts must be separately recorded and investigated and resolved to the extent possible. Two people will independently verify the amounts and reconcile the deposit. See Procedures for Cash Register Out of Balance Conditions.

4.4 Preparation of Deposits

1. Checks must be made payable to The City of Sultan. A calculator tape of the checks should be included with the checks bundled together.
2. Cash must be recorded on the deposit slip in the appropriate space.
3. Attach a copy of the Transmittal Batch showing transaction totals for credit card receipts and record the total on the deposit slip.
4. Someone not involved with collecting the cash, opening the mail or reconciling the deposit should prepare the deposit.

5. The utility payments deposit must be delivered to the bank on a daily basis.

4.5 Reconciliation of Cash Collected

1. Compare the receipt issued by the Finance Department to the supporting documentation (copy of deposit slip, cash register "Z" tapes) and resolve any discrepancies.
2. Compare the receipts to the monthly account statements.

Section 5. Pre-Numbered Receipts

- 5.1 Pre-numbered receipts will be issued by the Finance Department and a log will be maintained that will include the number(s) of the receipts, and the date and name of the person receiving the receipts. All voided receipts must be accounted for.

Section 6. Exceptions

- 6.1 The Finance Department must approve exceptions to these procedures. For example, in cases where there is not enough staff available to maintain complete separation of duties, an alternate process to safeguard City funds must be established and approved by the Finance Department.

Section 7. Record Retention

- 7.1 All cash receipts and related documents must be maintained in accordance with Record Retention schedules. Cash register tapes, deposit slips, credit card receipts, copies of manual cash receipts, etc. should be kept for six years.

Section 8. Procedures for Cash Register Out of Balance Conditions

- 8.1 Utility Clerk or other employee verify out of balance condition:
 1. Re-add all figures on a reconciliation sheet using an adding machine.
 2. Verify beginning and ending sales figures from the register.
 3. Check the cash register tape or the cash drawer for any register over/under rings.
 4. Re-count money, making sure that no bills or checks are stuck under the cash drawer, all denominations are together, and no bills are commingled in the wrong slot (i.e. \$10 bill in the \$1 slot, etc).
- 8.2 Check the office area (trash cans, behind the counter, the floor area around the register, under the cash register) to see if a check or cash was dropped or misplaced.
- 8.3 If any other employees were using the register, ask them if they had any over/under rings, or unusual transactions that could have resulted in the discrepancy.
- 8.4 If any unauthorized office employees may have had access to the receipts, check with them to see if they used the receipts in any way. (If this is the case, the matter should be reported immediately to the Finance Director. The Finance Director will notify the employee's supervisor immediately so that this situation does not re-occur.)

ATTACHMENT D

- 8.5 If the shortage still has not been reconciled by the Utility Clerk or other employee, the Finance Director will:
1. Follow steps 1 to 4 above.
 2. Record and report the discrepancy. For overages or shortages of \$25.00 or more, you must notify the City Administrator.
 3. Shortages or overages must be officially documented and recorded the day of the occurrence in the departmental accounting records.

**CITY OF SULTAN
INVESTMENT POLICY**

Section 1. Policy

- 1.1 It is the policy of the City of Sultan to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

Section 2. Scope

- 2.1 This investment policy applies to all financial assets of the City of Sultan. These funds are accounted for in the City's annual report and include:
1. General Fund
 2. Special Revenue Funds
 3. Capital Project Funds
 4. Enterprise Funds
 5. Trust and Agency Funds
 6. Any new fund created by City ordinance, unless specifically exempted.

Section 3. Prudence

- 3.1 Investments shall be made with judgment and care to the degree which persons of prudence, discretion and intelligence would 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.
- 3.2 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. The investment officers acting in accordance with this 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 manner and appropriate action is taken to control adverse development.

Section 4. Objective:

The primary objectives, in priority order, of the City's investment activities shall be:

- 4.1 **Safety**
Safety of the principal is the foremost objective of the investment program. Investments of the City of Sultan shall 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.
- 4.2 **Liquidity**
The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 Yield

The City's investment portfolio will be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Investment of tax-exempt borrowing proceeds and of any debt service funds will comply with the arbitrage restrictions of section 148 of the IRS Code of 1986.

Section 5. Delegation of Authority

Management responsibility for the investment program is delegated to the City Administrator or their designee who shall establish written procedures for the operation of the investment program consistent with this investment policy. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. An Investment Committee shall be established to periodically review investments.

Section 6. Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Council any material financial interest in financial institutions that conduct business with the City. They shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Sultan, particularly with regard to the timing and purchases and sales.

Section 7. Authorized Financial Dealers and Institutions:

The City Administrator or their designee is authorized to conduct investment transactions with several competing, reputable investment securities broker/dealers and financial institutions. Security dealers and financial institutions may include primary or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 and investment departments of local banks on the list of Qualified Public Depositories approved by the Washington Public Deposit Protection Commission as authorized to provide investment services under RCW 39.58.080. Authorized financial dealers and institutions shall have physical presence in the State of Washington.

Section 8. Authorized Investments:

The City is empowered to invest in the following types of securities:

- 8.1 Certificates, notes, bonds or other obligations of the United States Obligations of the U.S. agencies or of any corporation wholly owned by the government of the United States.
- 8.2 State of Washington Investment Pool.
Any investment authorized by law for the treasurer of the State of Washington or any local government of the State of Washington but, except as provided in Chapter 39.58 RCW, such investments shall not include certificates of deposit (CD) of banks or bank branches not located in the State of Washington.

Section 9. Safekeeping and Custody:

All security transactions, entered into by the City of Sultan shall be conducted on a delivery-vs-payment (DVP) basis. Securities purchased by the City will be delivered against payment and held in a custodial safekeeping account with the trust department of the bank. The trust department of a bank, a third-party custodian, will be designated by the Finance Director and all transactions will be evidenced by safekeeping receipts.

Section 10. Diversification:

The City will diversify the investment portfolio to the extent necessary to maximize the return on investment while minimizing the risk of loss and to retain enough liquidity to meet cash flow obligations. With the exception of U.S. Treasury securities and authorized pools, no more than fifty percent (50%) of the city's total investment portfolio will be invested in a single security type or with a single financial institution. Nothing herein should be construed as a mandate to place investments with any specified number or firms or financial institutions or to distribute investments among firms or financial institutions based on a ratio or total funds to be invested. Safety, liquidity and return should be the determining factors, along with each of working with a given broker/dealer or financial institution, in placement of investment funds.

Section 11. Maximum Maturates:

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. 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. The City will create a "ladder" to ensure cash flow from matured investments meets city cash needs.

Section 12. Internal Controls:

The City Administrator or their designee shall establish a process of independent review by an external auditor. The external audit may be completed by the State Auditor. This review will provide internal control by assuring that policies and procedures are being followed.

Section 13. Performance Standards:

The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles which meets or exceed the average rate of return of the Local Government Investment Pool of the State of Washington. This performance standard shall take into account the City's investment risk constraints and cash flow needs.

Section 14. Reporting:

The Finance Department will provide the City Council with a quarterly report of investment holdings and activity.

Section 15. Investment Policy Adoption:

The City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed on an annual basis by the Council and any modifications must be approved by the City Council.