



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

December 7, 2016

FCD Resolution

Proposed No. FCD2016-21.1

Sponsors

1 A RESOLUTION approving a fund balance policy for the
2 King County Flood Control Zone District.

3 WHEREAS, RCW 86.15.130 provides that the county treasurer is the treasurer of
4 each flood control zone district and that the county treasurer shall establish for each
5 district a fund into which shall be deposited the proceeds of all tax levies, assessments,
6 gifts, grants, loans or other revenues which may become available to the district; and

7 WHEREAS, the King County Flood Control Zone District ("District") board of
8 supervisors ("Board") recognizes that the maintenance of a fund balance is essential to
9 the preservation of the financial integrity of the District; and

10 WHEREAS, maintenance of a fund balance is fiscally advantageous for both the
11 District and its taxpayers; and

12 WHEREAS, an unassigned fund balance is an important measure of economic
13 stability; and

14 WHEREAS, the District provides working capital to King County and reimburses
15 the county for expenditures to implement the District's annual work plan; and

16 WHEREAS, the District funds multiyear capital projects, provides funds to local
17 jurisdictions and funds water resource inventory area projects, and

18 WHEREAS, the Board desires to adopt policies to provide guidance concerning
19 the desired level of fund balance to be maintained by the District to mitigate financial

20 risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures
21 and other related contingencies; now, therefore

22 BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE KING
23 COUNTY FLOOD CONTROL ZONE DISTRICT:

24 SECTION 1. The board of supervisors adopts the "Fund Balance Policy",
25 Attachment A to this resolution.

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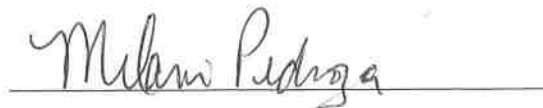
FCD Resolution was introduced on and passed by the King County Flood Control District on 12/7/2016, by the following vote:

Yes: 7 - Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr.
McDermott, Mr. Dembowski, Mr. Upthegrove and Ms. Kohl-Welles
No: 0
Excused: 2 - Mr. Gossett and Ms. Balducci

KING COUNTY FLOOD CONTROL DISTRICT
KING COUNTY, WASHINGTON


Reagan Dunn, Chair

ATTEST:


Melani Pedroza, Acting Clerk of the Council

Attachments: A. Fund Balance Policy

1. Policy Intent

- 1.1. The Board of Supervisors of the King County Flood Control Zone District (the district) recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the district and is fiscally advantageous for both the district and its taxpayers. This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services.
- 1.2. This policy is intended to provide guidance to the Board of Supervisors to establish the appropriate level of unrestricted fund balances to be maintained, the conditions under which the unrestricted fund balance may be used, and the process for reestablishing the unrestricted fund balance after it has been used for an authorized purpose.
- 1.3. Maintaining a fund balance is necessary to protect the district in the event of a decline in property tax revenues, economic downturns, and emergencies for example. While the district itself has a very small administrative cost, it contracts with other jurisdictions, including King County, through interlocal agreements, to deliver programs, projects, and services.
- 1.4. King County relies upon district funding to implement the district's work program which includes capital projects, emergency flood warning, flood hazard management, planning, maintenance, technical studies, grant administration, and flood hazard risk reduction.
- 1.5. This policy establishes goals and provides guidance concerning the desired level of fund balance to be maintained by the District to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and other related contingencies.
- 1.6. The Government Accounting Standards Board (GASB) Statement 54 provides direction for fund balance reporting which the district's financial statements will conform.
- 1.7. This policy is written in lay language to provide clarity to the multiple audiences who review financial information about the district

2. Fund Balance Definition

- 2.1. The district is authorized under Chapter 86.15 RCW and section 86.15.130 states the county treasurer of each zone shall establish a flood control fund for each zone into which shall be deposited the proceeds of all tax levies, assessments, gifts, grants, loans, or other revenues which may become available to a zone.
- 2.2. The treasurer shall also establish the following accounts within the zone fund:
 - 2.2.1. For each flood control improvement financed by a bond issue, an account to which shall be deposited the proceeds of any such bond issue; and
 - 2.2.2. An account for each outstanding bond issue to which will be deposited any revenues collected for the retirement of such outstanding bonds or for the payment of interest or charges thereon; and
 - 2.2.3. A general account to which all other receipts of the zone shall be deposited.
- 2.3. The district's funds may only be used for purposes authorized under Chapter 86.15 RCW.
- 2.4. The fund balance is those funds remaining after the district's assets have been used to meet its liabilities.
- 2.5. The fund balance is required to be reported in two components: reserved and unreserved.
 - 2.5.1. Reserved funds cannot be appropriated or spent because of their form or because they must be maintained in tact such as certain financial assets, or are legally limited for a particular purpose such as bond proceeds and legal settlements with restrictions.
 - 2.5.2. Unreserved funds may be used for any purpose authorized by Chapter 86.15 RCW and may be designated to express the district's intention to use those funds in a particular manner such as working capital, insurance reserves, and district funding policies such as the Subregional Opportunity funds to jurisdictions, Water Resource Inventory grants, and the Flood Reduction Grant Program.
3. **Fund Balances Goals**
 - 3.1. Prudently plan for and fund future expected costs
 - 3.2. Meet legal, contractual, or existing policy requirements
 - 3.3. Establish fund amounts for anticipated mismatches between revenue and expenditures
 - 3.4. Meet seasonal cash flow shortfalls
 - 3.5. Maintain services during short periods of economic decline
 - 3.6. Meet emergency conditions including flood disasters
 - 3.7. Provide levy rate stability
4. **Fund Balance Policies**

- 4.1. The District's Board of Supervisors is the highest level of decision-making authority and is responsible for establishing the fund balance policy for the district by resolution.
- 4.2. Through the annual budget process, the district will determine a multi-objective fund balance sufficient to meet the following purposes:
 - 4.2.1. The district's required insurance reserve as determined by the district's insurance carrier;
 - 4.2.2. Funds sufficient to continue district operations for 30-days;
 - 4.2.3. Funds sufficient to meet contract obligations such as the interlocal agreement with King County to provide services to the flood district for 30-days;
 - 4.2.4. The balance of any long-term outstanding balance due from others such as the \$4 million in working capital provided to King County;
 - 4.2.5. The value of any inventory balances and prepaid expenses;
 - 4.2.6. The principal of any permanent funds that are legally or contractually required to be maintained intact, and
 - 4.2.7. The balance of any land or other nonfinancial assets held.
- 4.3. The district will review any restrictions imposed by law through constitutional provisions or enabling legislation.
- 4.4. The district will maintain a fund balance equal to the required amount set up in accordance with any debt covenants.
- 4.5. To the extent district contracts include wind down or minimum payment requirements, the district will maintain a sufficient fund balance to meet these contract obligations.
- 4.6. The district will set-aside funds awarded to the following grant programs as long as these grant programs are a part of the district's work plan:
 - 1.1.1. Subregional Opportunity Fund
 - 1.1.2. Water Resource Inventory Area Grants
 - 1.1.3. Flood Reduction Grants

5. Future Capital Program Needs

- 5.1. The district relies on annual revenue to pay for multi-year capital projects. It takes multiple-years to accrue sufficient resources to implement the full range of capital projects for the district. Funds that are not designated for the fund balance purposes described above are available to be programmed by the district through its annual operating and capital budget

process; however, it is in the interest of the district to designate fund balance for the six-year capital improvement program.

6. Restoring Fund Balance

- 6.1. If the fund balance at fiscal year-end falls below the multi-objective goal set by the district through the annual budget process, the district shall develop a restoration plan to achieve and maintain the minimum fund balance.
- 6.2. Where fund balance deficits exist, a gradual correction of the problem over a multi-year period may be preferable to a large one-time increase.

7. Financial Planning

- 7.1. The district should aim to establish an ending undesignated fund balance of zero unless stipulated elsewhere.
- 7.2. Factors to consider in establishing reserves include:
 - 7.2.1. Future expenditures including equipment reserves
 - 7.2.2. Cash flow requirements to support operating expenses
 - 7.2.3. Legal or regulatory requirements affecting revenues, disbursements, and fund reserves
 - 7.2.4. Credit worthiness and capacity to support debt service requirements for enterprise funds
 - 7.2.5. Relative rate stability from year to year
 - 7.2.6. Susceptibility to financial risks, revenue shortfalls or emergency or unanticipated
- 7.3. In the event the anticipated balance is above the amount necessary to achieve the purposes of this policy, the difference may be used to fund the following activities, in order of preference:
 - 7.3.1. One-time capital expenditures that do not increase ongoing district costs;
 - 7.3.2. Other one-time costs; and
 - 7.3.3. Ongoing or new district programs, provided that such action be considered in the context of a multi-year projection of revenues and expenditures.