CITY OF TUMWATER

BUDGET & FINANCE COMMITTEE
MEETING AGENDA

Online via Zoom and In Person at Tumwater City Hall, Council Conference Room, 555 Israel Rd. SW, Tumwater, WA 98501

Friday, August 28, 2026
12:00 PM

1. Call to Order
2. Roll Call
3. Approval of Minutes: Budget and Finance Committee, July 24, 2026
4. Monthly Budget Update (Finance Department)
5. Financial Policy Update (Finance Department)
6. Ordinance No. O2026-006 Delegation of Authority to Issue Bonds (Finance Department)
7. Additional and Future Items
8. Adjourn

Meeting Information
All committee members will be attending remotely. The public are welcome to attend in person, by telephone or online via Zoom.

Watch Online
https://us02web.zoom.us/j/87088379938?pwd=EDOqxX6bHJGrz79D3yNLt4F6YUxE80.1

Listen by Telephone
Call (253) 215-8782, listen for the prompts and enter the Webinar ID 870 8837 9938 and Passcode 017940.

Public Comment
The public may submit comments by sending an email to council@ci.tumwater.wa.us, no later than 5:00 p.m. the day before the meeting. Comments are submitted directly to the Committee members and will not be read individually into the record of the meeting.

Post Meeting
Video of this meeting will be recorded and posted on our City Meeting page: https://tumwater-wa.municodemeetings.com.

Accommodations
The City of Tumwater takes pride in ensuring that people with disabilities are able to take part in, and benefit from, the range of public programs, services, and activities offered by the City. To request an

accommodation or alternate format of communication, please contact the City's ADA Coordinator directly, call (360) 754-4129 or email ADACoordinator@ci.tumwater.wa.us. For vision or hearing impaired services, please contact the Washington State Relay Services at 7-1-1 or 1-(800)-833-6384.

MEETING MINUTES

TUMWATER BUDGET & FINANCE COMMITTEE
July 24, 2026

CONVENE:	12:00 p.m.
PRESENT:	Mayor/Chair Leatta Dahlhoff and Councilmembers Angela Jefferson, Eileen Swarthout and Kelly Von Holtz. Staff: City Administrator Paul Simmons, Finance Director Troy Niemeyer, City Attorney Karen Kirkpatrick and Accounting Technician Silvia Torres-Torrero.
APPROVAL OF MINUTES:	**Chair Dahlhoff moved, seconded by Councilmember Von Holtz, to approve the minutes of July 24, 2026, as presented. A voice vote approved the motion unanimously.**
MONTHLY FINANCIAL UPDATE:	Director Niemeyer gave a monthly financial update. He discussed budget progress and general fund expenditures. Sales to budget tax on an actual basis are behind but all other revenues are good.
RESOLUTION NO. R2026-008, CHARITABLE PARTNERSHIPS:	Director Niemeyer presented Resolution R2026-008, Charitable Partnerships. The resolution provides guidance to staff on how to support non-profit organizations and how staff can donate via payroll deductions.
MOTION:	**Councilmember Swartout moved, seconded by Councilmember Jefferson to place Resolution No. R2026-008, Charitable Partnerships, on the City Council consent calendar on August 18, 2026, with a recommendation to approve and authorize the Mayor to sign. A voice vote approved the motion unanimously.**

DATA SHARING AGREEMENT WITH THE OFFICE OF THE SECRETARY OF STATE FOR THE COMBINED FUND DRIVE:

Director Niemeyer presented a Data Sharing agreement with the Office of the Secretary of State for the Combined Fund Drive. This agreement will allow the City to join the Combined Fund Drive, providing employees with flexible charitable giving options via payroll deductions while streamlining operations for payroll staff.

MOTION:

Councilmember Von Holtz moved, seconded by Councilmember Swarthout to place the Data Share Agreement with the Combined Fund Drive on August 18, 2026, City Council consent calendar with a recommendation to approve and authorize the Mayor to sign. A voice vote approved the motion unanimously.

ADDITIONAL ITEMS:

There were no additional items.

ADJOURNMENT:

Mayor Dahlhoff adjourned the meeting at 12:23 p.m.

Prepared by Silvia Torres-Torrero, Accounting Technician

TO: Budget and Finance Committee

FROM: Troy Niemeyer, Finance Director

DATE: August 28, 2026

SUBJECT: Monthly Budget Update

---

1) Recommended Action:

This item is informational only.

---

2) Background:

Staff will provide regular budget-to-actual reports.

---

3) Policy Support:

2026-2032 Strategic Priorities & Goals: Tumwater Excellence: refine and sustain a great organization. Be good stewards of public funds by following sustainable financial strategies.

---

4) Alternatives:

❑ n/a

---

5) Fiscal Notes:

n/a

---

6) Attachments:

A. none

TO: Budget and Finance Committee

FROM: Troy Niemeyer, Finance Director

DATE: August 28, 2026

SUBJECT: Financial Policy Update

---

1) Recommended Action:

Place the financial policy on the September 15, 2026, City Council consent calendar with a recommendation to adopt.

---

2) Background:

The Washington State constitution, as well as state law, set the maximum amount of debt that a local government can have. The City's current financial policy is more restrictive, limiting the City to one half (1/2) of the debt limit allowed by state law. This policy update removes the additional restrictions and aligns the debt limits with state law requirements. In addition, there are other minor updates.

The City Council is still required to approve bond issues and to approve individual projects.

---

3) Policy Support:

2026-2032 Strategic Priorities & Goals: Tumwater Excellence: refine and sustain a great organization. Be good stewards of public funds by following sustainable financial strategies.

---

4) Alternatives:

- ❑ Do not move the policy to the full Council.
- ❑ Provide different directions to staff.

---

5) Fiscal Notes:

The change to this policy allows the City Council to authorize debt up to, but not in excess of, state law requirements.

---

6) Attachments:

A. Financial Policy – redline version
B. Financial Policy – clean version

TABLE OF CONTENTS

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 1
PURPOSE

Tumwater is a full-service City that provides police and fire services, maintains parks and other public facilities, offers recreational programs and activities, conducts urban planning, issues construction permits, and makes sure residents have safe transportation options. These services are considered general government services. The City also operates three utilities that provide clean drinking water, remove and recycle wastewater safely and manage storm water conveyances and ponds to prevent flooding, and to protect the environment; and, it operates a T~~t~~ransportation B~~b~~enefit D~~d~~istrict (TBD) which is a special purpose district dedicated to the maintenance of streets and sidewalks. In addition, the City has the Tumwater Metropolitan Park District (TMPD) to support and expand parks. Furthermore, all of these services utilize internal support services such as finance, human resources, community relations, equipment purchases and maintenance, and administration. The City has the authority to impose taxes, such as property taxes, sales taxes and business taxes, as well as fees for specific services, which pay for the cost of these services. The City has to be accountable for the use of all public funds and keep its service promise.

These written policies are approved by Council and apply to all City funds and activities, including general government, utility and internal services, and for any special districts. Special policies for a sub-set of services will be called out. They are intended to be adaptable to changing needs and support Council strategies and goals long-term while ensuring financial protection and sound fiscal practices.

The intent here is to establish written policy and not procedures. Policy is a philosophy or thought process and provides a framework for procedures and day to day decision making. The establishment of specific accounting and financial procedures is the responsibility of the Finance Director and should be in the spirit of these policies. They may be established administratively by the ~~City Administrator~~Finance Director.

The policy provides guidance in what should be done and as such, prevents what should not be done. It does not state all that should not be done, because that list would be infinite. This policy should be reviewed and updated periodically to be a living document that fits the times.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 2
OBJECTIVE

The City strives to:

- Maintain all essential services without major service interruption,
- Obtain equitable and fair revenue sources,
- Build financial stability and sustainability,
- Fulfill all financial obligations,
- Be prepared for growth, economic change, and emergencies,
- Comply with laws and regulations, and
- Maintain a high bond rating.

These following policies are to provide guidance for decisions that have a significant fiscal impact and that are in support of the above goals. They are broken out into the following topics:

- Reserve and Contingency Policies
- Revenue and Other Resources
- Expenditures
- Budget Preparation
- Stewardship Over What the City Owns
- Long-term Financial Planning
- Long-term Operational Financial Planning
- Investments
- Debt
- Auditing, Accounting and Financial Reporting
- Management of Federal Grants

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 3
RESERVE AND CONTINGENCY POLICIES

Reserves reduce financial risk, provide flexibility, add to financial stability, and contribute to good bond ratings. Typically, they are established to manage uneven revenue and expenditure fluctuations, known or planned expenditure spikes, or to provide cash flow for large and long-term strategic goals. The purpose for any reserve should be defined and the reserves should be used according to that purpose. ~~Otherwise, there is no reason to maintain a reserve.~~ Reserves are expected to periodically fall below the target~~required~~ levels and are expected to then be replenished within a reasonable time. A reasonable time will depend on the City's financial situation and is defined as no more than five years or shorter where feasible.

The following reserves are reserves commonly established by government organizations and follow best practices. Each serves a different purpose and uses a different time horizon. The General Fund cash flow reserve, for example, bridges uneven cash flows from the City's normal operations and throughout a normal operating year. The facility reserve is a tool to accumulate funds for known large projects in the foreseeable future. And the Contingency Fund sets aside funds in an attempt to prepare for future emergencies such as an earthquake, an ice storm, or a chemical spill, which could happen tomorrow or in twenty years. When cash is needed, the primary need determines which reserve serves the purpose and should be used to address that need.

General Fund Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year and in the normal course of operations of the General Fund. This is not a ~~legally~~ separate fund and technically is not a reserve. Rather, it is ending fund balance of a year. The General Fund, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. The 17% constitutes an estimate for needed cash balance and a commitment of fund balance and is measurable at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may be released by Council through the adoption of a resolution at any time or as part of the regular budget process. This policy helps ensure that the City can meet its obligations throughout a calendar year.

Facility Reserve: The City maintains a reserve fund per Tumwater City Code 3.36.030 for the purpose of providing funds for the repair, major maintenance and replacement of City facilities. These financial policies make reference to the above mentioned City Code section and, specifically, commit a target amount of two million dollars ($2,000,000). This amount may come from various sources and, at a minimum, is to be accumulated from first year property taxes on new construction in excess of $30 million as a transfer from the General Fund annually. The Capital Facilities Plan (CFP) serves as the project plan and should include the projects that may be funded from this reserve. The CFP is approved by Council.

Contingency Fund (Emergency Reserve): City Code section 3.36.035 establishes a contingency fund for the purpose of providing funds for unanticipated and unbudgeted emergencies as defined in RCW 35A.34.140 [http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.140] and 35A.34.150 [http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.150]. The above Tumwater City Code section and RCWs are made an integral part of these financial policies. in addition, in the case of an emergency not defined in RCW 35A.34.140, "council may, upon the adoption of an ordinance by a majority plus one stating the facts constituting the emergency, the estimated amount required to meet it, and declaring that an emergency exists, make the expenditure therefor."

Permit Reserve Fund: The Permit Reserve Fund is a financial reserve established by the City of Tumwater to provide funds for Community Development activities during economic downturns. Some developments or new buildings may span several fiscal years. A permit that is paid for in year one may require staff time commitments for inspections or other activities in years two and three. If building permit revenue declines, as it did during the Great Recession, the City needs to keep staff working to fulfill the commitments previously made. This reserve is funded by building permit revenue and provides assurance that the City will provide the resources necessary to meet its commitments.

Water Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year and from year-to-year in the normal course of operations of the Water Utility. The fees for service of the water utility are partially based on water consumption charges. Consumption, and therefore revenues, can fluctuate greatly from month to month and year to year. The Water Utility, at a minimum, should maintain an ending fund balance of twenty percent (20%) of annual budgeted operating expenditures and debt service payments. The 20% is a percentage higher than for the cash flow reserve of the General Fund or other utilities because the water utility has a higher risk of uneven cash flows due to its weather dependence and volumetric service fee structure. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Wastewater Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Wastewater Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Storm Water Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Storm Water Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Equipment Rental and Reserve Fund Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of business in the Equipment Rental and Reserve Fund (ER&R). The ER&R fund should maintain an ending fund balance of eight percent (8%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve is over and above funds set aside for the planned replacement of equipment and other capital assets in the ER&R fund. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the ER&R fund can meet its obligations throughout a calendar year.

The City maintains several other special revenue funds such as for the prevention of domestic violence, safekeeping of forfeited and seized property, development fees, Barnes Lake maintenance, the Lodging Tax Fund, and others. The purpose of these funds is to use all such designated revenue and fund balances for the designated special purposes. These funds tend to hold relatively small amounts of cash, with revenues that are highly variable and expenditures that can be scaled back if revenues do not meet expectations. Thus, no reserve policy is established in this document. The Council and City management may establish additional such special purpose funds at any time.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 4
REVENUE AND OTHER RESOURCES

The City has certain resources available to deliver its services. These resources consist of on-going revenues, one-time revenues, and fund balances. The City also makes a distinction between one-time expenditures, such as acquisition of capital assets, and on-going expenditures, such as compensation and purchases for day-to-day operations.

On-going revenues should pay for all on-going expenditures. They may also fund one-time projects.

One-time revenues and fund balance should only pay for one-time projects and should not be relied upon for ongoing operations. One-time revenues are defined as: sale of assets, interest, special distributions, grants, and any other revenue that is extraordinary, such as a legal settlement or retroactive sales taxes.

The City seeks to recover the full cost of operating all business-type and internal service funds, such as the utilities, the Equipment Rental and Reserve Fund, and the Tumwater Valley Municipal Golf Course through fees for service. These funds provide a direct services to Tumwater residents and businesses for which they charge a service fee. The service fees should ultimately recover the full cost of service. Full cost includes the cost of ongoing operations and ongoing infrastructure repair and maintenance, as well as necessary infrastructure expansion, and the estimated cost of future equipment and building replacements (including any debt service payments and depreciation), that are not funded through other designated capital funding sources, such as connection fees. Connection fees are intended for the acquisition of new infrastructure capacity capital assets only.

The City also provides direct services in its general government funds, such as issuance of permits, building inspections, recreational classes, public records requests, and more. It strives to charge service fees to recover the full cost of these services but also recognizes that it is not always feasible, legal or advisable.

The City strives to stay economically competitive in the community and to be a City of choice for residents and businesses. A full cost recovery of all costs of governmental services may, therefore, be less than one hundred percent (100%) and be outweighed by other considerations that benefit the broad public good. The City actively pursues new revenue opportunities, especially those that add financial diversification and stability, as long as they are derived fairly, equitably, and from a broad base for broad services, or from a specific narrow group when only that group will benefit.

The City may solicit sponsorships and pursue fund raising and donation revenue options by taking a programmatic approach and for a purpose that benefits both, the sponsor and City or the sponsor and the Public equally. It may also accept individual donations and endowments that are to be put to public use, benefit its general government purposes, or provide support to the economically disadvantaged, and do not award special financial or economic advantage to the donor.

A firm approach to collecting old and outstanding balances is applied while balancing the cost of those collections with the recovered revenues. With that approach City staff may turn over past-due accounts and amounts to a collection agency or file a lien. City staff may take non-payment due to a hardship under special consideration and may make arrangements for payments over time for up to twelve months, waive any penalties and late fees, and suspend otherwise normal collection procedures. A hardship case is defined as a serious accident, long-term illness or disability, natural disaster, loss of livelihood, loss of home, or other life-changing occurrence. The Finance Director is to approve any special arrangements in advance and these decisions should be documented for accountability. Staff is encouraged to offer the City's utility assistance program to those customers who are eligible and provide contact information for other help organizations, including the City-sponsored utility assistance program.

Debt proceeds are a one-time resource and can be used for one-time investments into infrastructure, such as for the purchase of land, construction of capital projects or for the purchase of long-lived capital equipment, as long as the City has identified a revenue source to make the debt service payments.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 5
EXPENDITURES

Any City is primarily a service organization and, thus, personnel costs are a large portion of overall expenditures. The City strives to be an employer of choice in the community and attract quality employees that represent the organizational values of the City. Therefore, it strives to set compensation levels that are competitive in the public service sector.

The human resources department personnel review the City's salary and grade schedule periodically and assess its competitiveness with comparable governmental entities. It strives to establish pay grades that fit into the median range of comparable positions. Council must approve pay grade and position changes with a Resolution at any time or through the regular budget process.

Bonuses are not permitted except as signing or referral bonuses used for recruitment purposes and as approved by Council.

The City should only incur those ongoing expenditures for which it can pay from ongoing revenues.[1]

The City strives to follow its written procurement procedures and adhere to all State and Federal purchasing and bidding rules where applicable. The City receives federal grants from time to time and is committed to follow 2 CFR 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, where it applies.

The City has several administrative functions that provide shared administrative services, such as executive management, public affairs, human resources, accounting, treasury and finance, legal, risk management, and more to all City departments and funds. The cost of those services is charged to the business-type and special purpose funds (the utilities, equipment rental and replacement fund, Golf, Barnes Lake Benefit District, Transportation Benefit District, and any other special purpose district the City may form) based on factors that reasonably estimate a fair share. It implements a full cost approach for the funds that receive the benefit. These shared services are not charged to other general government funds and departments to avoid the double accounting of expenditures, offset by internal revenue. The Finance Director makes recommendations on the appropriate allocation and the Finance Department administers the cost allocation.

[1] This is not intended to preclude paying project oversight costs from one-time capital funds.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 6
BUDGET PREPARATION

The City budget should be a reflection of the Mayor's and Council's strategies and goals. Under the direction of the City Administrator and the Finance Director, the heads of individual funds and departments have the primary responsibility to formulate preliminary budget proposals that meet Mayor and Council direction to the extent feasible.

The financial policies documented here are also to be applied to the preparation of the City's budget.

The budget is prepared on the modified accrual basis of accounting. This is the same as the official financial reporting basis of accounting for governmental services funds, but differs from the full accrual basis of accounting for the official financial reports of the business-type funds. The budget for the latter group of funds includes expenditures, such as outlay for capital projects and payments for debt principal, which are instead reported as addition to fixed assets and reduction in liability, respectively, in the official financial statements. Additionally, depreciation and amortization are expenses reported on official financial statements, but are not budgeted.

The budget represents a spending authority that should not be exceeded by the end of the budget period. The level of spending authority is at the fund level, where the General Fund and general fund sub-funds[2] may be combined. The amount of spending authority should not exceed the sum of an estimated beginning fund balance and budgeted revenues. This encourages that spending authority stays within planned resources and it presents a balanced budget.

The Finance Department is responsible for the coordination and overall preparation and administration of the City's budget. Revised Code of Washington Chapter 35A.34 applies and has very specific requirements as to the timing of budget estimates, budget proposal, publication and adoption, as well as public notices, to name a few examples. The Finance Director coordinates the budget process so that the City follows all statutes.

[2] The Levy Lid Lift fund, K-9, emergency reserve, e-link fund are all examples of General Fund sub-funds. They were established to ensure these funds are expended for specific purposes. They have separate budgets, but are combined into the General Fund for external financial reporting purposes.

CITY OF TUMWATER
FINANCIAL POLICIES

The Finance Department assists department budget managers in the preparation of their respective budgets, particularly when it comes to inter-fund charges and personnel costs. The Finance Department assists with solutions and alternatives so that the budget is also a useful tool for budget managers. All reserves and contingencies should be presented in the City's budget.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 7
STEWARDSHIP OVER WHAT THE CITY OWNS

As a matter of policy, the City prefers electronic money transactions, whether it makes or receives payments. It observes internal control procedures for the receipting of coins, bills or electronic cash, including the segregation of duties, the physical safeguard of checks, coins and bills, assignment of direct responsibility for daily cash handling, daily cash counts, and monthly cash reconciliations. The City only pays and accepts payments recognized as legal tender by the U.S. government. It does not accept, or pay with, cryptocurrencies such as Bitcoin.

It is regarded as preferable internal control to maintain one high-volume and main transaction bank (or check-writing) account into which all receipts are recorded, from which all checks are written, and all electronic payments are made. This is with the recognition that other low-volume bank accounts may be required or advisable, such as for the state-required advance travel ~~advance~~ account, performance bonds, funds held in trust, and other fiduciary monies. Accumulated cash may be invested in lawful investment vehicles. The Finance Director is responsible for the implementation of effective controls over all bank and investment accounts.

The City owns and maintains land, buildings, rights-of-ways, infrastructure, equipment and other long-lived assets, also known as capital assets. Capital assets are individually identified and recorded in a capital asset system and depreciated over their useful lives, in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements~~per generally accepted accounting rules~~. The City may set a significance threshold so that items at or above the threshold are recorded as capital assets, and items below the threshold are expensed. The City set the threshold to $10~~5~~,000. The Finance Department estimates the useful lives to be consistent over years and among similar items. Information about additions to the capital asset records are provided at least annually to the City's insurance carrier for property and liability insurance coverage.

The City maintains two equipment rental and reserve funds (ER&R), as prescribed in ~~Tumwater City Code~~TMC 3.36.060 and TMC 3.36.065 to be used for the expenditures of salaries, wages and operations required for the repair, replacement, purchase and operation of all motor vehicles as well as other portable equipment which the city shall decide to maintain and replace through this fund.". In Fund 501 the City includes all motorized and other rolling stock. Fund 502 contains computers and IT assets. The Finance Director, or delegate, together with management staff of the ER&R fund, develops annual estimated operating and annual replacement costs of the existing equipment complement. These costs are charged to the users and collected in the fund. At times additions are made to the existing complement of equipment. Additions require a transfer of funds to the ER&R fund from the acquiring fund or department in the amount of the initial purchase cost. Annual replacement fees begin in the first year after the year of acquisition. Replacement fees continue until the equipment is replaced regardless of the initial estimated life expectancy. The annual estimated replacement cost schedule for each category of equipment shall be established by the Finance Director in consultation with the City Administrator and department director. This schedule may be periodically adjusted based on actual operating experience. The annual depreciation expense will be used as a minimum estimate of the annual replacement cost.

The departments that own the assets must take a periodic inventory of all fixed assets. The fixed asset inventory is taken at least every two years, but can be taken more often at the discretion of the department director ~~and/~~or Finance. Departments shall retain documented proof of the inventory count and retain it for five (5) years. In addition, they shall inform the finance department when: (1) the inventory count is complete, (2) if there are assets that need to be removed or added to the ERP system, and (3) of any significant impairments to any fixed assets.

City staff make purchases of a variety of long-lived items, such as furniture, equipment, containers, trailers, power tools, to name a few, with a cost of less than $10,000. They are recorded as an operating cost, not as a capital asset and are not depreciated. A sub-group of these items, called small and attractive assets, are considered to be at high risk of premature and undetected loss. This is because they are small or light, used infrequently, are easily removed from the premises without anyone noticing, and could be disposed without approval, be converted to personal use, and could result in personal gain. The department directors (or designees) maintain a list of common small and attractive assets based on the above attributes. The current threshold is $1,000 per item. Department directors should implement a reasonable safeguard and tracking mechanism for small and attractive assets, including a periodic inventory. As with capital assets, departments perform the physical inventory count at least once every two years, and should inform the Finance Department when the inventory has been completed,

The City disposes of certain capital and non-capital assets from time to time. The Council is to declare all such items surplus through approval of a resolution. City staff disposes of any surplus items with positive value (see below) through negotiated sale, auction, transfer to another government entity, or donation to a non-profit agency. At times, capital and non-capital items become obsolete or the cost of storage, disposition, or repair exceeds the remaining value. In that case the surplus item has either no or a negative value to the City. The ~~City Administrator~~Finance Director, or delegate, may approve disposition of such surplus items through the responsible disposal as refuse. Nothing herein shall be interpreted to authorize the gifting of any capital or non-capital items to a city employee, employee family member, or other private person.

These same policies apply to equipment originally acquired for a City utility. RCW 35.94.040 sets rules for the disposal of utility property to be leased, sold, or conveyed. This policy assumes that an item has to have a value to be leased, sold, or conveyed and that RCW 35.94.040 does not apply to items with a zero or negative value.

SECTION 8
LONG-TERM CAPITAL FACILITIES FINANCIAL PLANNING

The Growth Management Act requires a Capital Facilities Plan (CFP) be part of the City's Comprehensive Plan. The Public Works Department should present to Council a CFP for major transportation projects, parks and other general government projects, and for major utility (water, wastewater, storm water) projects every other year, for a six-year forecasting period, at a minimum, that begins with an even-numbered year. For a biennial budget cycle, that aligns the beginning for the CFP forecasting period with the second year of the biennial budget.

The CFP must include appropriate funding each year to balance resources with planned project expenditures. Appropriate funding could be restricted revenue such as that for the Transportation Benefit District, loan or bond proceeds, real estate excise tax, impact fees, grants, developer or other contributions, motor vehicle fuel tax, and general transfers from other funds. The City has committed the utility tax from private utility ~~and City utility enterprises~~ (6% at the time of the writing of these policies) to the General Fund (Fund 001) and each of the two Capital Facilities funds (fund 303 and 304) as follows: of the six percentage points (6%),three and seven tenths percentage points (3.7%) to the General Fund, one and a half percentage points(1.5 %) to the General Government Capital Facilities Fund 303, and one and a half ~~eight tenths of one~~ percentage points (1.5~~0.8~~%) to the Transportation Capital Facilities Fund 304. ~~Although expected to be rarely done, these allocations may be adjusted by the Council as part of the budget process.~~ For the Water, Sewer, and Stormwater utilities the utility tax is 12% and is committed as follows: nine percent (9%) to the General Fund, one and a half percent (1.5%) to Fund 303, and one and a half percent (1.5%) to Fund 304. Although expected to be rarely done, these allocations may be adjusted by the Council as part of the budget process.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 9
LONG-TERM OPERATIONAL FINANCIAL PLANNING

The revenues, expenditures and fund balances for the general fund should be forecasted each year, about mid-calendar-year, for the current and next 5 years, making it a rolling five-year forecast, as an early look at changing economic conditions and possible unfavorable consequences, such as declining revenues and increasing costs. This enables the City to be flexible, and make choices to adjust its expectations and/or service levels as early as possible.

The utilities should strive to work towards a forecast for revenues, expenditures and fund balances for a six-year period, updated every two years and on the same update-cycle as the Capital Facilities Plan (CFP). The CFP is the basis for the amounts of planned capital spending for those six years. The plan should also include reasonable revenue and operating cost assumptions, as well as minimum funding for all reserves as established by these policies.

Estimates and forecasts of all revenues and expenditures should be cautious in a slow economic environment, taking a financially restrained approach. Estimates and forecasts of revenues and expenditures may become less restrained at a time of a more growth-oriented outlook.

The utilities' financial plans should assume that they support themselves through fees for service and that they do not receive financial or economic support from the General Fund.

The utilities should make every effort to set service fees that recover full life-cycle costs which may lead to periodic accumulations of fund balances. The accumulation of fund balance is regarded as competent long-term planning tool for foreseeable needs. This tool helps temper annual rate increases and enables the City to fund a large portion of its projects with cash or to position the City well for long-term debt issues.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 10
INVESTMENTS

Most funds hold some amount of cash since the timing of expenditures seldom matches the time of receipt of revenue. This cash accumulates and can be invested. The Finance Director acts as the investment officer and has the authority to invest accumulated cash with the objective of safety first, liquidity second, and third, a market rate return that can reasonably be expected given these objectives, while complying with State law.

Accumulated cash includes funds over and above the minimum required reserves as described in the policy.

The investments must adhere to the requirements of RCW Chapter 35A.40 Section 050 Investment of Funds [http://app.leg.wa.gov/RCW/default.aspx?cite=35A.40.050], RCW Chapter 39.59 Public Funds-Authorized Investments, and RCW Chapter 39.59 Section 040 Authorized investments-Bonds, warrants, certificates, and other investments [http://app.leg.wa.gov/RCW/default.aspx?cite=39.59.040]. These chapters define specific investments by types, quality and maturity. The most current Washington State Investment Board (WSIB) investment policies adhere to these RCW Chapters and are, herewith, made an integral part of these policies as guidance for City investments. The most current WSIB policies went into effect as of September ~~15, 2016~~21, 2023, and are attached (see Exhibit B).

The investment officer must remain impartial in all investment decisions and must not pursue a personal activity that creates a conflict of interest in the execution and management of the City's investment program. A conflict of interest arises~~,~~ when the investment officer could in fact or appearance, either directly or indirectly, benefit financially or economically from his or her influence or decision. This requirement extends to any employee, committee member, or Council member who could significantly influence an investment decision.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 11
DEBT

The City issues debt infrequently and primarily for large capital purchases and infrastructure projects. It takes a conservative approach in the sense that it keeps debt maturities as short as possible and complies with RCW Chapter 35A.40 [http://app.leg.wa.gov/rcw/default.aspx?cite=35a.40], RCW Chapter 43.80 [http://app.leg.wa.gov/RCW/default.aspx?Cite=43.80.100], as minimum requirements. The City will also observe any other laws and regulations pertaining to debt.

~~Debt payments limit the City's ability to respond to ongoing operational needs and unexpected expenses. For this reason, it is advisable to limit the amount of debt and associated debt payments. The debt limits prescribed by the RCWs are shown in the table below. The City further voluntarily limits its debt exposure by adopting more stringent debt limits at a level half of that required by the RCWs. The limits are stated as percentage of the City's assessed property values.~~

~~Type of Debt~~	~~RCW Limits~~	~~City Policy~~	~~2016 Actual~~
~~General Obligation[1]:~~	~~2.50 %~~	~~1.25%~~	~~0.1165%~~
~~Non-Voted~~	~~1.50 %~~	~~0.75 %~~	~~0.0977%~~
~~Voted~~	~~1.00 %~~	~~0.50%~~	~~0.0188%~~
~~Open Space, Parks~~	~~2.50 %~~	~~1.25%~~	~~0.1706%~~
~~Utilities~~	~~2.50 %~~	~~1.25%~~	~~0.0036%~~
~~Revenue[3] bonds~~	~~no limit~~	~~no limit[2]~~	~~-~~
~~Local Improvement District[3]~~	~~no limit~~	~~no limit[2]~~	~~-~~

~~[1] Proceeds may be used for any City function, fund, or department~~
~~[2] The ability to pay and debt coverage ratios will set a natural debt limit here.~~
~~[3] Statutory limits do not apply, because the City's general revenue or taxing authority are not pledged.~~

The City may issue debt for the acquisition of long-lived assets, where the maturity of the debt does not exceed the estimated useful life of the asset and where the asset or existing revenue serves as security for the debt. Any debt issue should be paired with a known and adequate revenue flow from which principal and interest are paid.

When the Capital Facilities Plan or any other long-term plan includes the proceeds of a debt issue, the plan will also identify and include the source of making annual payments for principal and interest.

The Finance Director is responsible for the analysis of debt requirements. This includes the timing, calculation of outstanding debt, debt limits, future debt burden, and revenue requirements. The Finance Director is also responsible for the coordination of debt issues and subsequent required disclosures. The water, sewer~~waste water~~, and storm~~-~~water utilities are combined as one water services utility for debt issuance purposes.

The City may issue the following types of debt: General Obligation bonds, voted and non-voted for any City purpose; Certificates of Participation[3] and full faith and credit bonds for any City purpose, revenue bonds for the utilities and special districts with or without the backing of the City's full faith and credit[4], and short-term loans in anticipation of long-term bonds, all subject to RCW limitations and other relevant City policies. The City may also enter into long-term finance leases~~ that constitute in substance a debt-financed purchase, a so called capital lease~~.

The Finance Director assesses the lowest cost debt financing option for any debt issue. The Finance Director is responsible for the solicitation and selection of professionals, who are required to issue and administer City debt, such as bond counsel, financial advisor, underwriter, and fiscal agent.

A refinancing is a practice of selling new bonds to replace or combine existing bonds. Typically this is done when interest rates have fallen below an existing issues' effective interest rate. The City considers it best practice to initiate a refinancing when the net present value savings are at least three percent (3%). The Finance Director shall periodically evaluate bond issues and recommend a refinancing for this reason, as well as for other reasons, such as when the timing of anticipated revenues changes, or when it is in the City's best interest to modify bond covenants. A refinancing and a new issue may be combined.

An advance refunding is a practice of placing funds into escrow, and entirely relinquishing control over such funds, for the future repayment of bonds. Typically this is done when the bond security[5] no longer qualifies as security, such as through

[3] The State of Washington facilitates bond issues where the debt needs of several small jurisdictions may be combined into one debt issue. Each jurisdiction holds a proportion of that debt issue through a Certificate of Participation or COP and makes the debt service payments to the State. It reduces issuance and interest costs to the COP holders, and minimizes subsequent disclosure requirements.
[4] The general fund may lend its creditworthiness to the utilities, for example, when utilities issue revenue bonds. It minimizes interest costs and debt coverage ratio requirements.
[5] Examples of bond securities are land, a building, or equipment that is typically acquired with the bond proceeds. For tax-exempt bonds, the underlying security has to be used for almost all public and very minor private purposes.

conversion[6], sale or impairment[7], or when the issuer desires to extinguish the debt. The Finance Director shall recommend an advance refunding when it is in the best interest of the City.

The preferred method of debt issuance is the competitive process because it generally helps obtain a low total interest cost. However, negotiated sales, direct placements, and other allowable methods of issuing debt are acceptable. Market conditions often determine the most appropriate and lowest cost of obtaining financing. ~~A negotiated debt placement is permissible in special cases, such as in a volatile interest rate environment, under extenuating time pressure, or for an issue requiring special underwriter skills.~~

The three utilities of water, sewer~~wastewater~~ and storm water are considered to be one water utility for debt purposes. The City will strive to set service fees for the utilities that are estimated to maintain a minimum revenue bond debt coverage ratio of 1.25.

The City must identify revenue for any new debt and should associate it with a specific community benefit, so that the residents of Tumwater know what they are paying for.

The City strives to have a General Obligation bond rating of A or better (based on the S&P credit rating tiers, see Exhibit A) and is committed to filing all required subsequent debt disclosures according to applicable debt covenants and Security and Exchange rules.

Unused debt proceeds are invested according to the City's investment policy and any resulting arbitrage rebates are to be filed as required.

The City may use inter-fund borrowing when the lending fund has cash available and both funds benefit. Such inter-fund borrowing shall be in writing, with loan terms that include principal, annual interest, and payment schedule, and be approved by Council. The interest rate charged for such borrowing should be no less than what the lending fund would earn if its accumulated cash was invested in accordance with the policies in Section 10.

[6] An example of a conversion is when an old City Hall is converted from public use to private use, such as commercial offices.
[7] An example of impairment could be a building damaged in a fire. Insurance proceeds could be used to either repair and rebuild or retire the associated debt early, because the building will not be recovered.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 12
AUDITING, ACCOUNTING AND FINANCIAL REPORTING

~~Section 21.2 of~~ Council Rules established a standing Budget and Finance Committee. Its stated purpose is to develop and review policy issues and make recommendations regarding budget amendments, financial contracts, social and health services funding, financing, and budget development not otherwise covered by other committees or the full Council. The Mayor and three Council members form the Budget and Finance Committee. The Budget and Finance Committee has also acted as oversight committee over the City's annual audit engagement, audit reports, and any necessary follow-up, and should continue to do so. It should also receive information about unusual developments~~,~~, and cases of fraud, waste and abuse.

The Finance Department is responsible for the establishment and accounting of all funds, and fund assets, liabilities, revenues, expenditures, and expenses using the double-entry accounting method. The funds are established according to Generally Accepted Accounting Principles (GAAP), the Budgeting, Accounting and Reporting System (BARS) manual, and are further described in the Tumwater Municipal Code chapter 3.36.

The Finance Department prepares GAAP-compliant annual financial statements including footnotes, known as~~. It does not prepare~~ an Annual Comprehensive Financial Report (ACFR). It does not prepare the Management Discussion and Analysis (MD&A) which requires certain additional budget comparative data and statistical information, the cost of which is deemed to outweigh the benefit at the time these policies are written. This may be reconsidered at any time.

The Tumwater accounting records should be designed to support financial reporting per GAAP and to support all required filings with the Washington State Auditor's Office (SAO). The Governmental Accounting, Auditing, and Financial Reporting (GAAFR, or 'Blue Book') of the Government Finance Officers' Association (GFOA) and the SAO Budgeting, Accounting and Reporting System (BARS) manual serve as guidance for Chart of Accounts structure, GAAP implementation, audit preparation, and best accounting practices.

The Finance Department is also responsible for issuing timely internal reports for the Mayor, Council, City Administrator, and Directors.

The Finance Director is the internal control officer of the City and should design and implement internal controls to prevent errors and omissions, and loss of assets, including through segregation of duties, physical security over cash, assignment of direct responsibilities for cash and bank record handling, secure access to bank accounts, purchase approval processes, periodic interim financial reviews, periodic reconciliations, and inventory taking.

The Finance Director has the responsibility to establish a fund and account structure as required by SAO, GAAP or other laws and regulations. At the same time, the decision to add funds or accounts should follow an emphasis on simplicity and accountability, whenever possible. Funds and accounts require annual maintenance and essentially exist forever. It is prudent to keep the number of funds and accounts to those that are required and financially significant, or are of particular interest to the Public, Council, commissions and committees, or management long-term.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 13
MANAGEMENT OF FEDERAL GRANTS

The City applies for federal grants where possible and advisable, to fund transportation, law enforcement, water/sewer/storm drainage utility infrastructure projects, to name a few. When the City receives federal grants it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards, when it applies. Key elements for that compliance are:

- Written Internal Controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303);
- Written procedures to minimize the time lag between advance payments by the granting agency (draws) and related disbursements (2 FCR 200.305);
- Written procedures to avoid a conflict of interest (2 CFR 200.318);
- Written Procurement Policies (2 CFR 200.320); and,
- Oversight and assurance that only Allowable Costs are claimed and ability to demonstrate the oversight (2 CFR 200.403).

The City's internal controls over federal funds take the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as guidance and strive to be able to demonstrate that it follows Federal statutes, regulations, and the terms and conditions of the Federal awards through oversight or monitoring, that it takes prompt action when non-compliance is identified, and that it takes reasonable measures to safeguard private personal and otherwise sensitive and confidential information.

The City strives to obtain grant funds as a reimbursement of expenditures. This means that any grant eligible invoices and internal labor costs have been paid by the City from City funds, and are billed to the granting agency subsequently and in the same amount as previously paid. In the unlikely event, that funds are drawn in advance of the expenditures, such as in the case of inadequate working capital, the draw is made as reasonably close to the expenditure timing as is administratively possible.

The City's procurement policies, adopted by Council, require the absence of employee or agent conflict of interest during the selection, award and administration of contracts, and include actions to be taken in the case of a violation.

The department managing a project, which is funded by direct or indirect federal funds, is responsible for the ability to demonstrate that it follows procedures that assure that only allowable costs are claimed.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 14: EXHIBIT A
CREDIT RATING TIER CHART OF THREE MAJOR RATING AGENCIES

We are here

The City strives to have a General Obligation bond rating of A or better.

Moody's Long-term	Moody's Short-term	S&P Long-term	S&P Short-term	Fitch Long-term	Fitch Short-term	Rating description	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA−		AA−			
A1		A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-2	A−	A-2	A−	F2		
Baa1		BBB+		BBB+		Lower medium grade	
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB−		BBB−			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade aka high-yield bonds aka junk bonds
Ba2		BB		BB			
Ba3		BB−		BB−			
B1		B+		B+		Highly speculative	
B2		B		B			
B3		B−		B−			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC−				Default imminent with little prospect for recovery	
Ca		CC					
		C					
C		D	/	DDD	/	In default	
/				DD			
				D			

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 14: EXHIBIT B
WASHINGTON STATE INVESTMENT BOARD INVESTMENT POLICIES

Refer to WSIB website for details. https://www.sib.wa.gov/index.html

WSIB Policy page https://www.sib.wa.gov/policies.html

WSIB Policy updated 9/21/23 https://www.sib.wa.gov/docs/policies/2_05_500.pdf

TABLE OF CONTENTS

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 1
PURPOSE

Tumwater is a full-service City that provides police and fire services, maintains parks and other public facilities, offers recreational programs and activities, conducts urban planning, issues construction permits, and makes sure residents have safe transportation options. These services are considered general government services. The City also operates three utilities that provide clean drinking water, remove and recycle wastewater safely and manage storm water conveyances and ponds to prevent flooding, and to protect the environment; and, it operates a Transportation Benefit District (TBD) which is a special purpose district dedicated to the maintenance of streets and sidewalks. In addition, the City has the Tumwater Metropolitan Park District (TMPD) to support and expand parks. Furthermore, all of these services utilize internal support services such as finance, human resources, community relations, equipment purchases and maintenance, and administration. The City has the authority to impose taxes, such as property taxes, sales taxes and business taxes, as well as fees for specific services, which pay for the cost of these services. The City has to be accountable for the use of all public funds and keep its service promise.

These written policies are approved by Council and apply to all City funds and activities, including general government, utility and internal services, and for any special districts. Special policies for a sub-set of services will be called out. They are intended to be adaptable to changing needs and support Council strategies and goals long-term while ensuring financial protection and sound fiscal practices.

The intent here is to establish written policy and not procedures. Policy is a philosophy or thought process and provides a framework for procedures and day to day decision making. The establishment of specific accounting and financial procedures is the responsibility of the Finance Director and should be in the spirit of these policies. They may be established administratively by the Finance Director.

The policy provides guidance in what should be done and as such, prevents what should not be done. It does not state all that should not be done, because that list would be infinite. This policy should be reviewed and updated periodically to be a living document that fits the times.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 2
OBJECTIVE

The City strives to:

- Maintain all essential services without major service interruption,
- Obtain equitable and fair revenue sources,
- Build financial stability and sustainability,
- Fulfill all financial obligations,
- Be prepared for growth, economic change, and emergencies,
- Comply with laws and regulations, and
- Maintain a high bond rating.

These following policies are to provide guidance for decisions that have a significant fiscal impact and that are in support of the above goals. They are broken out into the following topics:

- Reserve and Contingency Policies
- Revenue and Other Resources
- Expenditures
- Budget Preparation
- Stewardship Over What the City Owns
- Long-term Financial Planning
- Long-term Operational Financial Planning
- Investments
- Debt
- Auditing, Accounting and Financial Reporting
- Management of Federal Grants

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 3
RESERVE AND CONTINGENCY POLICIES

Reserves reduce financial risk, provide flexibility, add to financial stability, and contribute to good bond ratings. Typically, they are established to manage uneven revenue and expenditure fluctuations, known or planned expenditure spikes, or to provide cash flow for large and long-term strategic goals. The purpose for any reserve should be defined and the reserves should be used according to that purpose. Reserves are expected to periodically fall below the target levels and are expected to then be replenished within a reasonable time. A reasonable time will depend on the City's financial situation and is defined as no more than five years or shorter where feasible.

The following reserves are reserves commonly established by government organizations and follow best practices. Each serves a different purpose and uses a different time horizon. The General Fund cash flow reserve, for example, bridges uneven cash flows from the City's normal operations and throughout a normal operating year. The facility reserve is a tool to accumulate funds for known large projects in the foreseeable future. And the Contingency Fund sets aside funds in an attempt to prepare for future emergencies such as an earthquake, an ice storm, or a chemical spill, which could happen tomorrow or in twenty years. When cash is needed, the primary need determines which reserve serves the purpose and should be used to address that need.

General Fund Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year and in the normal course of operations of the General Fund. This is not a separate fund and technically is not a reserve. Rather, it is ending fund balance of a year. The General Fund, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. The 17% constitutes an estimate for needed cash balance and a commitment of fund balance and is measurable at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may be released by Council through the adoption of a resolution at any time or as part of the regular budget process. This policy helps ensure that the City can meet its obligations throughout a calendar year.

Facility Reserve: The City maintains a reserve fund per Tumwater City Code 3.36.030 for the purpose of providing funds for the repair, major maintenance and replacement of City facilities. These financial policies make reference to the above mentioned City Code section and, specifically, commit a target amount of two million dollars ($2,000,000). This amount may come from various sources and, at a minimum, is to be accumulated from first year property taxes on new construction in excess of $30 million as a transfer from the General Fund annually. The Capital Facilities Plan (CFP) serves as the project plan and should include the projects that may be funded from this reserve. The CFP is approved by Council.

Contingency Fund (Emergency Reserve): City Code section 3.36.035 establishes a contingency fund for the purpose of providing funds for unanticipated and unbudgeted emergencies as defined in RCW 35A.34.140 [http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.140] and 35A.34.150 [http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.150]. The above Tumwater City Code section and RCWs are made an integral part of these financial policies. in addition, in the case of an emergency not defined in RCW 35A.34.140, "council may, upon the adoption of an ordinance by a majority plus one stating the facts constituting the emergency, the estimated amount required to meet it, and declaring that an emergency exists, make the expenditure therefor."

Permit Reserve Fund: The Permit Reserve Fund is a financial reserve established by the City of Tumwater to provide funds for Community Development activities during economic downturns. Some developments or new buildings may span several fiscal years. A permit that is paid for in year one may require staff time commitments for inspections or other activities in years two and three. If building permit revenue declines, as it did during the Great Recession, the City needs to keep staff working to fulfill the commitments previously made. This reserve is funded by building permit revenue and provides assurance that the City will provide the resources necessary to meet its commitments.

Water Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year and from year-to-year in the normal course of operations of the Water Utility. The fees for service of the water utility are partially based on water consumption charges. Consumption, and therefore revenues, can fluctuate greatly from month to month and year to year. The Water Utility, at a minimum, should maintain an ending fund balance of twenty percent (20%) of annual budgeted operating expenditures and debt service payments. The 20% is a percentage higher than for the cash flow reserve of the General Fund or other utilities because the water utility has a higher risk of uneven cash flows due to its weather dependence and volumetric service fee structure. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Wastewater Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Wastewater Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Storm Water Utility Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Storm Water Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

Equipment Rental and Reserve Fund Cash Flow Reserve: The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of business in the Equipment Rental and Reserve Fund (ER&R). The ER&R fund should maintain an ending fund balance of eight percent (8%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve is over and above funds set aside for the planned replacement of equipment and other capital assets in the ER&R fund. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the ER&R fund can meet its obligations throughout a calendar year.

The City maintains several other special revenue funds such as for the prevention of domestic violence, safekeeping of forfeited and seized property, development fees, Barnes Lake maintenance, the Lodging Tax Fund, and others. The purpose of these funds is to use all such designated revenue and fund balances for the designated special purposes. These funds tend to hold relatively small amounts of cash, with revenues that are highly variable and expenditures that can be scaled back if revenues do not meet expectations. Thus, no reserve policy is established in this document. The Council and City management may establish additional such special purpose funds at any time.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 4
REVENUE AND OTHER RESOURCES

The City has certain resources available to deliver its services. These resources consist of on-going revenues, one-time revenues, and fund balances. The City also makes a distinction between one-time expenditures, such as acquisition of capital assets, and on-going expenditures, such as compensation and purchases for day-to-day operations.

On-going revenues should pay for all on-going expenditures. They may also fund one-time projects.

One-time revenues and fund balance should only pay for one-time projects and should not be relied upon for ongoing operations. One-time revenues are defined as: sale of assets, interest, special distributions, grants, and any other revenue that is extraordinary, such as a legal settlement or retroactive sales taxes.

The City seeks to recover the full cost of operating all business-type and internal service funds, such as the utilities, the Equipment Rental and Reserve Fund, and the Tumwater Valley Municipal Golf Course through fees for service. These funds provide a direct services to Tumwater residents and businesses for which they charge a service fee. The service fees should ultimately recover the full cost of service. Full cost includes the cost of ongoing operations and ongoing infrastructure repair and maintenance, as well as necessary infrastructure expansion, and the estimated cost of future equipment and building replacements (including any debt service payments and depreciation), that are not funded through other designated capital funding sources, such as connection fees. Connection fees are intended for the acquisition of new infrastructure capacity capital assets only.

The City also provides direct services in its general government funds, such as issuance of permits, building inspections, recreational classes, public records requests, and more. It strives to charge service fees to recover the full cost of these services but also recognizes that it is not always feasible, legal or advisable.

The City strives to stay economically competitive in the community and to be a City of choice for residents and businesses. A full cost recovery of all costs of governmental services may, therefore, be less than one hundred percent (100%) and be outweighed by other considerations that benefit the broad public good. The City actively pursues new revenue opportunities, especially those that add financial diversification and stability, as long as they are derived fairly, equitably, and from a broad base for broad services, or from a specific narrow group when only that group will benefit.

CITY OF TUMWATER
FINANCIAL POLICIES

The City may solicit sponsorships and pursue fund raising and donation revenue options by taking a programmatic approach and for a purpose that benefits both, the sponsor and City or the sponsor and the Public equally. It may also accept individual donations and endowments that are to be put to public use, benefit its general government purposes, or provide support to the economically disadvantaged, and do not award special financial or economic advantage to the donor.

A firm approach to collecting old and outstanding balances is applied while balancing the cost of those collections with the recovered revenues. With that approach City staff may turn over past-due accounts and amounts to a collection agency or file a lien. City staff may take non-payment due to a hardship under special consideration and may make arrangements for payments over time for up to twelve months, waive any penalties and late fees, and suspend otherwise normal collection procedures. A hardship case is defined as a serious accident, long-term illness or disability, natural disaster, loss of livelihood, loss of home, or other life-changing occurrence. The Finance Director is to approve any special arrangements in advance and these decisions should be documented for accountability. Staff is encouraged to offer the City's utility assistance program to those customers who are eligible and provide contact information for other help organizations, including the City-sponsored utility assistance program.

Debt proceeds are a one-time resource and can be used for one-time investments into infrastructure, such as for the purchase of land, construction of capital projects or for the purchase of long-lived capital equipment, as long as the City has identified a revenue source to make the debt service payments.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 5
EXPENDITURES

Any City is primarily a service organization and, thus, personnel costs are a large portion of overall expenditures. The City strives to be an employer of choice in the community and attract quality employees that represent the organizational values of the City. Therefore, it strives to set compensation levels that are competitive in the public service sector.

The human resources department personnel review the City's salary and grade schedule periodically and assess its competitiveness with comparable governmental entities. It strives to establish pay grades that fit into the median range of comparable positions. Council must approve pay grade and position changes with a Resolution at any time or through the regular budget process.

Bonuses are not permitted except as signing or referral bonuses used for recruitment purposes and as approved by Council.

The City should only incur those ongoing expenditures for which it can pay from ongoing revenues.[1]

The City strives to follow its written procurement procedures and adhere to all State and Federal purchasing and bidding rules where applicable. The City receives federal grants from time to time and is committed to follow 2 CFR 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, where it applies.

The City has several administrative functions that provide shared administrative services, such as executive management, public affairs, human resources, accounting, treasury and finance, legal, risk management, and more to all City departments and funds. The cost of those services is charged to the business-type and special purpose funds (the utilities, equipment rental and replacement fund, Golf, Barnes Lake Benefit District, Transportation Benefit District, and any other special purpose district the City may form) based on factors that reasonably estimate a fair share. It implements a full cost approach for the funds that receive the benefit. These shared services are not charged to other general government funds and departments to avoid the double accounting of expenditures, offset by internal revenue. The Finance Director makes recommendations on the appropriate allocation and the Finance Department administers the cost allocation.

[1] This is not intended to preclude paying project oversight costs from one-time capital funds.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 6
BUDGET PREPARATION

The City budget should be a reflection of the Mayor's and Council's strategies and goals. Under the direction of the City Administrator and the Finance Director, the heads of individual funds and departments have the primary responsibility to formulate preliminary budget proposals that meet Mayor and Council direction to the extent feasible.

The financial policies documented here are also to be applied to the preparation of the City's budget.

The budget is prepared on the modified accrual basis of accounting. This is the same as the official financial reporting basis of accounting for governmental services funds, but differs from the full accrual basis of accounting for the official financial reports of the business-type funds. The budget for the latter group of funds includes expenditures, such as outlay for capital projects and payments for debt principal, which are instead reported as addition to fixed assets and reduction in liability, respectively, in the official financial statements. Additionally, depreciation and amortization are expenses reported on official financial statements, but are not budgeted.

The budget represents a spending authority that should not be exceeded by the end of the budget period. The level of spending authority is at the fund level, where the General Fund and general fund sub-funds[2] may be combined. The amount of spending authority should not exceed the sum of an estimated beginning fund balance and budgeted revenues. This encourages that spending authority stays within planned resources and it presents a balanced budget.

The Finance Department is responsible for the coordination and overall preparation and administration of the City's budget. Revised Code of Washington Chapter 35A.34 applies and has very specific requirements as to the timing of budget estimates, budget proposal, publication and adoption, as well as public notices, to name a few examples. The Finance Director coordinates the budget process so that the City follows all statutes.

[2] The Levy Lid Lift fund, K-9, emergency reserve, e-link fund are all examples of General Fund sub-funds. They were established to ensure these funds are expended for specific purposes. They have separate budgets, but are combined into the General Fund for external financial reporting purposes.

CITY OF TUMWATER
FINANCIAL POLICIES

The Finance Department assists department budget managers in the preparation of their respective budgets, particularly when it comes to inter-fund charges and personnel costs. The Finance Department assists with solutions and alternatives so that the budget is also a useful tool for budget managers. All reserves and contingencies should be presented in the City's budget.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 7
STEWARDSHIP OVER WHAT THE CITY OWNS

As a matter of policy, the City prefers electronic money transactions, whether it makes or receives payments. It observes internal control procedures for the receipting of coins, bills or electronic cash, including the segregation of duties, the physical safeguard of checks, coins and bills, assignment of direct responsibility for daily cash handling, daily cash counts, and monthly cash reconciliations. The City only pays and accepts payments recognized as legal tender by the U.S. government. It does not accept, or pay with, cryptocurrencies such as Bitcoin.

It is regarded as preferable internal control to maintain one high-volume and main transaction bank (or check-writing) account into which all receipts are recorded, from which all checks are written, and all electronic payments are made. This is with the recognition that other low-volume bank accounts may be required or advisable, such as for the state-required advance travel account, performance bonds, funds held in trust, and other fiduciary monies. Accumulated cash may be invested in lawful investment vehicles. The Finance Director is responsible for the implementation of effective controls over all bank and investment accounts.

The City owns and maintains land, buildings, rights-of-ways, infrastructure, equipment and other long-lived assets, also known as capital assets. Capital assets are individually identified and recorded in a capital asset system and depreciated over their useful lives, in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements. The City may set a significance threshold so that items at or above the threshold are recorded as capital assets, and items below the threshold are expensed. The City set the threshold to $10,000. The Finance Department estimates the useful lives to be consistent over years and among similar items. Information about additions to the capital asset records are provided at least annually to the City's insurance carrier for property and liability insurance coverage.

The City maintains two equipment rental and reserve funds (ER&R), as prescribed in TMC 3.36.060 and TMC 3.36.065 to be used for the expenditures of salaries, wages and operations required for the repair, replacement, purchase and operation of all motor vehicles as well as other portable equipment which the city shall decide to maintain and replace through this fund.". In Fund 501 the City includes all motorized and other rolling stock. Fund 502 contains computers and IT assets. The Finance Director, or delegate, together with management staff of the ER&R fund, develops annual estimated operating and annual replacement costs of the existing equipment complement. These costs are charged to the users and collected in the fund. At times additions are made to the existing complement of equipment. Additions require a transfer of funds to the ER&R fund from the acquiring fund or department in the amount of the initial purchase cost. Annual replacement fees begin in the first year after the year of acquisition. Replacement fees continue until the equipment is replaced regardless of the initial estimated life expectancy. The annual estimated replacement cost schedule for each category of equipment shall be established by the Finance Director in consultation with the City Administrator and department director. This schedule may be periodically adjusted based on actual operating experience. The annual depreciation expense will be used as a minimum estimate of the annual replacement cost.

The departments that own the assets must take a periodic inventory of all fixed assets. The fixed asset inventory is taken at least every two years, but can be taken more often at the discretion of the department director or Finance. Departments shall retain documented proof of the inventory count and retain it for five (5) years. In addition, they shall inform the finance department when: (1) the inventory count is complete, (2) if there are assets that need to be removed or added to the ERP system, and (3) of any significant impairments to any fixed assets.

City staff make purchases of a variety of long-lived items, such as furniture, equipment, containers, trailers, power tools, to name a few, with a cost of less than $10,000. They are recorded as an operating cost, not as a capital asset and are not depreciated. A sub-group of these items, called small and attractive assets, are considered to be at high risk of premature and undetected loss. This is because they are small or light, used infrequently, are easily removed from the premises without anyone noticing, and could be disposed without approval, be converted to personal use, and could result in personal gain. The department directors (or designees) maintain a list of common small and attractive assets based on the above attributes. The current threshold is $1,000 per item. Department directors should implement a reasonable safeguard and tracking mechanism for small and attractive assets, including a periodic inventory. As with capital assets, departments perform the physical inventory count at least once every two years, and should inform the Finance Department when the inventory has been completed,

The City disposes of certain capital and non-capital assets from time to time. The Council is to declare all such items surplus through approval of a resolution. City staff disposes of any surplus items with positive value (see below) through negotiated sale, auction, transfer to another government entity, or donation to a non-profit agency. At times, capital and non-capital items become obsolete or the cost of storage, disposition, or repair exceeds the remaining value. In that case the surplus item has either no or a negative value to the City. The Finance Director, or delegate, may approve disposition of such surplus items through the responsible disposal as refuse. Nothing herein shall be interpreted to authorize the gifting of any capital or non-capital items to a city employee, employee family member, or other private person.

These same policies apply to equipment originally acquired for a City utility. RCW 35.94.040 sets rules for the disposal of utility property to be leased, sold, or conveyed. This policy assumes that an item has to have a value to be leased, sold, or conveyed and that RCW 35.94.040 does not apply to items with a zero or negative value.

SECTION 8
LONG-TERM CAPITAL FACILITIES FINANCIAL PLANNING

The Growth Management Act requires a Capital Facilities Plan (CFP) be part of the City's Comprehensive Plan. The Public Works Department should present to Council a CFP for major transportation projects, parks and other general government projects, and for major utility (water, wastewater, storm water) projects every other year, for a six-year forecasting period, at a minimum, that begins with an even-numbered year. For a biennial budget cycle, that aligns the beginning for the CFP forecasting period with the second year of the biennial budget.

The CFP must include appropriate funding each year to balance resources with planned project expenditures. Appropriate funding could be restricted revenue such as that for the Transportation Benefit District, loan or bond proceeds, real estate excise tax, impact fees, grants, developer or other contributions, motor vehicle fuel tax, and general transfers from other funds. The City has committed the utility tax from private utility (6% at the time of the writing of these policies) to the General Fund (Fund 001) and each of the two Capital Facilities funds (fund 303 and 304) as follows: of the six percentage points (6%),three and seven tenths percentage points (3.7%) to the General Fund, one and a half percentage points(1.5 %) to the General Government Capital Facilities Fund 303, and one and a half percentage points (1.5%) to the Transportation Capital Facilities Fund 304. For the Water, Sewer, and Stormwater utilities the utility tax is 12% and is committed as follows: nine percent (9%) to the General Fund, one and a half percent (1.5%) to Fund 303, and one and a half percent (1.5%) to Fund 304. Although expected to be rarely done, these allocations may be adjusted by the Council as part of the budget process.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 9
LONG-TERM OPERATIONAL FINANCIAL PLANNING

The revenues, expenditures and fund balances for the general fund should be forecasted each year, about mid-calendar-year, for the current and next 5 years, making it a rolling five-year forecast, as an early look at changing economic conditions and possible unfavorable consequences, such as declining revenues and increasing costs. This enables the City to be flexible, and make choices to adjust its expectations and/or service levels as early as possible.

The utilities should strive to work towards a forecast for revenues, expenditures and fund balances for a six-year period, updated every two years and on the same update-cycle as the Capital Facilities Plan (CFP). The CFP is the basis for the amounts of planned capital spending for those six years. The plan should also include reasonable revenue and operating cost assumptions, as well as minimum funding for all reserves as established by these policies.

Estimates and forecasts of all revenues and expenditures should be cautious in a slow economic environment, taking a financially restrained approach. Estimates and forecasts of revenues and expenditures may become less restrained at a time of a more growth-oriented outlook.

The utilities' financial plans should assume that they support themselves through fees for service and that they do not receive financial or economic support from the General Fund.

The utilities should make every effort to set service fees that recover full life-cycle costs which may lead to periodic accumulations of fund balances. The accumulation of fund balance is regarded as competent long-term planning tool for foreseeable needs. This tool helps temper annual rate increases and enables the City to fund a large portion of its projects with cash or to position the City well for long-term debt issues.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 10
INVESTMENTS

Most funds hold some amount of cash since the timing of expenditures seldom matches the time of receipt of revenue. This cash accumulates and can be invested. The Finance Director acts as the investment officer and has the authority to invest accumulated cash with the objective of safety first, liquidity second, and third, a market rate return that can reasonably be expected given these objectives, while complying with State law.

Accumulated cash includes funds over and above the minimum required reserves as described in the policy.

The investments must adhere to the requirements of RCW Chapter 35A.40 Section 050 Investment of Funds [http://app.leg.wa.gov/RCW/default.aspx?cite=35A.40.050], RCW Chapter 39.59 Public Funds-Authorized Investments, and RCW Chapter 39.59 Section 040 Authorized investments-Bonds, warrants, certificates, and other investments [http://app.leg.wa.gov/RCW/default.aspx?cite=39.59.040]. These chapters define specific investments by types, quality and maturity. The most current Washington State Investment Board (WSIB) investment policies adhere to these RCW Chapters and are, herewith, made an integral part of these policies as guidance for City investments. The most current WSIB policies went into effect as of September 21, 2023, and are attached (see Exhibit B).

The investment officer must remain impartial in all investment decisions and must not pursue a personal activity that creates a conflict of interest in the execution and management of the City's investment program. A conflict of interest arises when the investment officer could in fact or appearance, either directly or indirectly, benefit financially or economically from his or her influence or decision. This requirement extends to any employee, committee member, or Council member who could significantly influence an investment decision.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 11
DEBT

The City issues debt infrequently and primarily for large capital purchases and infrastructure projects. It takes a conservative approach in the sense that it keeps debt maturities as short as possible and complies with RCW Chapter 35A.40 [http://app.leg.wa.gov/rcw/default.aspx?cite=35a.40], RCW Chapter 43.80 [http://app.leg.wa.gov/RCW/default.aspx?Cite=43.80.100], as minimum requirements. The City will also observe any other laws and regulations pertaining to debt.

The City may issue debt for the acquisition of long-lived assets, where the maturity of the debt does not exceed the estimated useful life of the asset and where the asset or existing revenue serves as security for the debt. Any debt issue should be paired with a known and adequate revenue flow from which principal and interest are paid.

When the Capital Facilities Plan or any other long-term plan includes the proceeds of a debt issue, the plan will also identify and include the source of making annual payments for principal and interest.

The Finance Director is responsible for the analysis of debt requirements. This includes the timing, calculation of outstanding debt, debt limits, future debt burden, and revenue requirements. The Finance Director is also responsible for the coordination of debt issues and subsequent required disclosures. The water, sewer, and stormwater utilities are combined as one water services utility for debt issuance purposes.

The City may issue the following types of debt: General Obligation bonds, voted and non-voted for any City purpose; Certificates of Participation[3] and full faith and credit bonds for any City purpose, revenue bonds for the utilities and special districts with or without the backing of the City's full faith and credit[4], and short-term loans in anticipation of long-term bonds, all subject to RCW limitations and other relevant City policies. The City may also enter into long-term finance leases.

[3] The State of Washington facilitates bond issues where the debt needs of several small jurisdictions may be combined into one debt issue. Each jurisdiction holds a proportion of that debt issue through a Certificate of Participation or COP and makes the debt service payments to the State. It reduces issuance and interest costs to the COP holders, and minimizes subsequent disclosure requirements.
[4] The general fund may lend its creditworthiness to the utilities, for example, when utilities issue revenue bonds. It minimizes interest costs and debt coverage ratio requirements.

The Finance Director assesses the lowest cost debt financing option for any debt issue. The Finance Director is responsible for the solicitation and selection of professionals, who are required to issue and administer City debt, such as bond counsel, financial advisor, underwriter, and fiscal agent.

A refinancing is a practice of selling new bonds to replace or combine existing bonds. Typically this is done when interest rates have fallen below an existing issues' effective interest rate. The City considers it best practice to initiate a refinancing when the net present value savings are at least three percent (3%). The Finance Director shall periodically evaluate bond issues and recommend a refinancing for this reason, as well as for other reasons, such as when the timing of anticipated revenues changes, or when it is in the City's best interest to modify bond covenants. A refinancing and a new issue may be combined.

An advance refunding is a practice of placing funds into escrow, and entirely relinquishing control over such funds, for the future repayment of bonds. Typically this is done when the bond security[5] no longer qualifies as security, such as through conversion[6], sale or impairment[7], or when the issuer desires to extinguish the debt. The Finance Director shall recommend an advance refunding when it is in the best interest of the City.

The preferred method of debt issuance is the competitive process because it generally helps obtain a lower total interest cost. However, negotiated sales, direct placements, and other allowable methods of issuing debt are acceptable. Market conditions often determine the most appropriate and lowest cost of obtaining financing.

The three utilities of water, sewer and storm water are considered to be one water utility for debt purposes. The City will strive to set service fees for the utilities that are estimated to maintain a minimum revenue bond debt coverage ratio of 1.25.

The City must identify revenue for any new debt and should associate it with a specific community benefit, so that the residents of Tumwater know what they are paying for.

---

[5] Examples of bond securities are land, a building, or equipment that is typically acquired with the bond proceeds. For tax-exempt bonds, the underlying security has to be used for almost all public and very minor private purposes.
[6] An example of a conversion is when an old City Hall is converted from public use to private use, such as commercial offices.
[7] An example of impairment could be a building damaged in a fire. Insurance proceeds could be used to either repair and rebuild or retire the associated debt early, because the building will not be recovered.

The City strives to have a General Obligation bond rating of A or better (based on the S&P credit rating tiers, see Exhibit A) and is committed to filing all required subsequent debt disclosures according to applicable debt covenants and Security and Exchange rules.

Unused debt proceeds are invested according to the City's investment policy and any resulting arbitrage rebates are to be filed as required.

The City may use inter-fund borrowing when the lending fund has cash available and both funds benefit. Such inter-fund borrowing shall be in writing, with loan terms that include principal, annual interest, and payment schedule, and be approved by Council. The interest rate charged for such borrowing should be no less than what the lending fund would earn if its accumulated cash was invested in accordance with the policies in Section 10.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 12
AUDITING, ACCOUNTING AND FINANCIAL REPORTING

Council Rules established a standing Budget and Finance Committee. Its stated purpose is to develop and review policy issues and make recommendations regarding budget amendments, financial contracts, social and health services funding, financing, and budget development not otherwise covered by other committees or the full Council. The Mayor and three Council members form the Budget and Finance Committee. The Budget and Finance Committee has also acted as oversight committee over the City's annual audit engagement, audit reports, and any necessary follow-up, and should continue to do so. It should also receive information about unusual developments and cases of fraud, waste and abuse.

The Finance Department is responsible for the establishment and accounting of all funds, and fund assets, liabilities, revenues, expenditures, and expenses using the double-entry accounting method. The funds are established according to Generally Accepted Accounting Principles (GAAP), the Budgeting, Accounting and Reporting System (BARS) manual, and are further described in the Tumwater Municipal Code chapter 3.36.

The Finance Department prepares GAAP-compliant annual financial statements including footnotes, known as an Annual Comprehensive Financial Report (ACFR). It does not prepare the Management Discussion and Analysis (MD&A) which requires certain additional budget comparative data and statistical information, the cost of which is deemed to outweigh the benefit at the time these policies are written. This may be reconsidered at any time.

The Tumwater accounting records should be designed to support financial reporting per GAAP and to support all required filings with the Washington State Auditor's Office (SAO). The Governmental Accounting, Auditing, and Financial Reporting (GAAFR, or 'Blue Book') of the Government Finance Officers' Association (GFOA) and the SAO Budgeting, Accounting and Reporting System (BARS) manual serve as guidance for Chart of Accounts structure, GAAP implementation, audit preparation, and best accounting practices.

The Finance Department is also responsible for issuing timely internal reports for the Mayor, Council, City Administrator, and Directors.

The Finance Director is the internal control officer of the City and should design and implement internal controls to prevent errors and omissions, and loss of assets, including through segregation of duties, physical security over cash, assignment of direct responsibilities for cash and bank record handling, secure access to bank accounts, purchase approval processes, periodic interim financial reviews, periodic reconciliations, and inventory taking.

The Finance Director has the responsibility to establish a fund and account structure as required by SAO, GAAP or other laws and regulations. At the same time, the decision to add funds or accounts should follow an emphasis on simplicity and accountability, whenever possible. Funds and accounts require annual maintenance and essentially exist forever. It is prudent to keep the number of funds and accounts to those that are required and financially significant, or are of particular interest to the Public, Council, commissions and committees, or management long-term.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 13
MANAGEMENT OF FEDERAL GRANTS

The City applies for federal grants where possible and advisable, to fund transportation, law enforcement, water/sewer/storm drainage utility infrastructure projects, to name a few. When the City receives federal grants it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards, when it applies. Key elements for that compliance are:

- Written Internal Controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303);
- Written procedures to minimize the time lag between advance payments by the granting agency (draws) and related disbursements (2 FCR 200.305);
- Written procedures to avoid a conflict of interest (2 CFR 200.318);
- Written Procurement Policies (2 CFR 200.320); and,
- Oversight and assurance that only Allowable Costs are claimed and ability to demonstrate the oversight (2 CFR 200.403).

The City's internal controls over federal funds take the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as guidance and strive to be able to demonstrate that it follows Federal statutes, regulations, and the terms and conditions of the Federal awards through oversight or monitoring, that it takes prompt action when non-compliance is identified, and that it takes reasonable measures to safeguard private personal and otherwise sensitive and confidential information.

The City strives to obtain grant funds as a reimbursement of expenditures. This means that any grant eligible invoices and internal labor costs have been paid by the City from City funds, and are billed to the granting agency subsequently and in the same amount as previously paid. In the unlikely event, that funds are drawn in advance of the expenditures, such as in the case of inadequate working capital, the draw is made as reasonably close to the expenditure timing as is administratively possible.

The City's procurement policies, adopted by Council, require the absence of employee or agent conflict of interest during the selection, award and administration of contracts, and include actions to be taken in the case of a violation.

The department managing a project, which is funded by direct or indirect federal funds, is responsible for the ability to demonstrate that it follows procedures that assure that only allowable costs are claimed.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 14: EXHIBIT A
CREDIT RATING TIER CHART OF THREE MAJOR RATING AGENCIES

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA−		AA−			
A1		A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-2	A−	A-2	A−	F2		
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3	Lower medium grade	
Baa3		BBB−		BBB−			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade aka high-yield bonds aka junk bonds
Ba2		BB		BB			
Ba3		BB−		BB−			
B1		B+		B+		Highly speculative	
B2		B		B			
B3		B−		B−			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC−				Default imminent with little prospect for recovery	
Ca		CC					
		C					
C		D	/	DDD	/	In default	
/				DD			
				D			

We are here

The City strives to have a General Obligation bond rating of A or better.

CITY OF TUMWATER
FINANCIAL POLICIES

SECTION 14: EXHIBIT B
WASHINGTON STATE INVESTMENT BOARD INVESTMENT POLICIES

Refer to WSIB website for details. https://www.sib.wa.gov/index.html

WSIB Policy page https://www.sib.wa.gov/policies.html

WSIB Policy updated 9/21/23 https://www.sib.wa.gov/docs/policies/2_05_500.pdf

TO: Budget and Finance Committee

FROM: Troy Niemeyer, Finance Director

DATE: August 28, 2026

SUBJECT: Ordinance No. O2026-006 Delegation of Authority to Issue Bonds

---

1) Recommended Action:

Place Ordinance No. O2026-006, Delegation of Authority to Issue Bonds, on the September 15, 2026, City Council considerations calendar with a recommendation to adopt.

---

2) Background:

The City requires debt financing for certain projects in the near future. While individual projects will still require approval from Council, debt financing takes three to four months to arrange. This ordinance authorizes staff to work with bond counsel, a bond advisor, and bond underwriters to plan for the sale of General Obligation bonds to finance these projects.

---

3) Policy Support:

2026-2032 Strategic Priorities & Goals: Tumwater Excellence: refine and sustain a great organization. Be good stewards of public funds by following sustainable financial strategies.

---

4) Alternatives:

- ❑ Do not move the ordinance to the full Council.
- ❑ Provide different directions to staff.

---

5) Fiscal Notes:

The numbers in the ordinance are estimated, and are “not to exceed” amounts, meaning that staff cannot go over the dollar amounts and interest rates listed in the ordinance. The maximum amount of bonds will be $65 million or less, and the interest rate will not exceed 7%.

---

6) Attachments:

A. Ordinance No. O2026-006

CITY OF TUMWATER, WASHINGTON

ORDINANCE NO. O2026-006

AN ORDINANCE OF THE CITY OF TUMWATER, WASHINGTON, AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF LIMITED TAX GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED SIXTY-FIVE MILLION DOLLARS ($65,000,000.00) TO FINANCE COSTS RELATED TO PURCHASING AND REMODELING A NEW CITY HALL BUILDING, REMODELING A FIRE STATION, PURCHASING LAND FOR THE HABITAT CONSERVATION PLAN, AND TO PAY THE COSTS OF ISSUANCE OF THE BONDS; DELEGATING AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE BONDS; AND APPROVING OTHER MATTERS RELATED THERETO.

WHEREAS, the City Council (the "Council") of the City of Tumwater, Washington (the "City") has deemed it is in the best interest of the City to undertake certain capital improvements, including the acquisition and renovation of a new City Hall building, the purchase of land for habitat conservation purposes, and the remodeling of Fire Station T-2 (the "Projects"); and

WHEREAS, the Council deems it in the best interest of the City to issue one or more series of limited tax general obligation bonds (as further described herein, the "Bonds") for the purposes of paying and/or reimbursing the City for costs of the Projects and paying costs of issuing the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Administrator and the Finance Director (each, a "Designated Representative"), for a limited time, to approve any method of sale, the interest rates, maturity dates, tax status, redemption terms and principal maturities for each series of Bonds within the parameters set by this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUMWATER, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Definitions and Interpretation of Terms. As used in this ordinance, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Underwritten

Bonds (including persons holding Underwritten Bonds through nominees, depositories or other intermediaries).

Bond Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

Bond Purchase Contract means one or more contracts, if any, for the purchase of any series of Underwritten Bonds sold by negotiated sale to an Underwriter, executed by a Designated Representative pursuant to Section 10 of this ordinance.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of a series of Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means (a) for any Underwritten Bonds, initially, the State fiscal agent, and (b) for any Direct Purchase Bonds, the State fiscal agent or the City's Finance Director.

Bonds mean the limited tax general obligation bonds authorized to be issued from time to time, in one or more series, pursuant to this ordinance.

Certificate of Award means one or more, if any, certificates awarding a series of Underwritten Bonds sold by competitive sale to the successful bidder, executed by a Designated Representative pursuant to Section 10 of this ordinance.

City means the City of Tumwater, Washington, a municipal corporation duly organized and existing under the laws of the State.

City Administrator means the duly appointed and acting City Administrator or the successor to the duties of that office.

City Clerk or ***Clerk*** means the duly appointed and acting City Clerk, Deputy City Clerk, or the successor to the duties of that office.

City Council or ***Council*** means the City Council of the City as the general legislative authority of the City, as duly and regularly constituted from time to time.

Closing means the date of issue and delivery of a series of Bonds to the applicable Underwriter or Direct Purchaser.

Code means the Internal Revenue Code of 1986, as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Continuing Disclosure Certificate means one or more written undertakings for the benefit of the owners and Beneficial Owners of any series of Underwritten Bonds as required by Section (b)(5) of the Rule.

Debt Service Fund means one or more funds, and accounts held therein, created pursuant to this ordinance for the purpose of paying debt service on a series of Bonds.

Designated Representative means each of the Mayor, City Administrator and the Finance Director, or the designee of such officers. The signature of one Designated Representative shall be sufficient to bind the City.

Direct Purchase Bonds means any Bonds or Bond sold to a Direct Purchaser pursuant to Section 10 of this ordinance.

Direct Purchaser means any bank or other financial institution, or entity selected to purchase one or more Direct Purchase Bonds, or to accept delivery of one or more Direct Purchase Bonds to evidence the City's obligations under a Loan Agreement, pursuant to Section 10 of this ordinance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as deposit for any Underwritten Bonds pursuant to this ordinance.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means one or more certificates executed by a Designated Representative setting forth the requirements of the Code for maintaining the tax status of the applicable Tax-Exempt Bonds, and attachments thereto.

Finance Director means the Finance Director of the City, or the successor to the duties of such office.

Letter of Representations mean the Blanket Issuer Letter of Representations given by the City to DTC, as amended from time to time.

Loan Agreement means one or more loan purchase agreements, if any, between the City and a Direct Purchaser under which the Direct Purchaser will make a loan to the City, evidenced by a Direct Purchase Bond, or under which the Direct Purchaser will purchase the Direct Purchase Bond.

Mayor means the duly elected Mayor of the City or the successor to the duties of such office.

Official Statement means one or more disclosure document(s) prepared and delivered in connection with the sale of one or more series of Bonds.

Projects means purchasing, constructing, improving and equipping City facilities including the purchase and remodel of a new City Hall building, the purchase of land for habitat conservation purposes, and the remodel of Fire Station T-2.

Project Fund means the account created pursuant to Section 7 of this ordinance.

Record Date means the Bond Registrar's close of business on the 15th day of the month preceding any interest and/or principal payment or maturity date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with this ordinance.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds of a series are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

Rule means U.S. Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Sale Document means the Bond Purchase Contract, Certificate of Award, or Loan Agreement, if any, executed by a Designated Representative in connection with the sale of a series of Bonds, which shall provide for the name, principal and interest payment dates and amounts, redemption/prepayment rights, and other terms to describe such Bonds as determined by a Designated Representative.

State means the State of Washington.

Taxable Bonds means any Bonds of a series determined to be issued on a taxable basis pursuant to this ordinance.

Tax-Exempt Bonds means any Bonds of a series determined to be issued on a tax-exempt basis under the Code pursuant to this ordinance.

Underwriter means any underwriter, in the case of a negotiated sale, or initial purchaser, in the case of a competitive sale, for a series of Underwritten Bonds, as selected by a Designated Representative pursuant to this ordinance.

Underwritten Bonds means one or more series of Bonds sold pursuant to a negotiated or a competitive sale by the City to an Underwriter pursuant to Section 10 of this ordinance.

Section 2. Authorization and Description of Bonds. For the purpose of paying and/or reimbursing the City for costs of the Projects and paying costs of issuance, the City hereby authorizes the issuance and sale of one or more series of limited tax general obligation bonds pursuant to the terms of this ordinance (the "Bonds"). The Bonds shall be issued from time to time in one or more series, and shall be designated as the "City of Tumwater, Washington, Limited Tax General Obligation Bonds, 2026" with any other such designation as set forth in the applicable Sale Document.

The aggregate principal amount of all Bonds authorized to be issued under the terms of this ordinance shall not exceed Sixty-Five Million Dollars ($65,000,000.00). The terms of each series of Bonds shall be subject to the terms of this ordinance, including the parameters set forth in Section 10 hereof.

The Bonds of each series shall be general obligations of the City, shall be dated as of the date of Closing for such series of Bonds; shall be fully registered as to both principal and interest and shall be sold as either Direct Purchase Bonds or Underwritten Bonds.

Section 3. Registration, Exchange and Payments.

(a) *Underwritten Bonds.*

(1) Bond Details. Any Bonds of a series may be sold as Underwritten Bonds. Underwritten Bonds shall be issued in denominations of $5,000, or any integral multiple thereof, within a series and maturity; shall be numbered separately in such manner and with any additional designations as the Bond Registrar deems necessary for purposes of identification; shall bear interest payable on the dates set forth in the applicable Sale Document; and shall be subject to optional and/or mandatory redemption and mature on the dates and in the principal amounts as set forth in the applicable Sale Document.

(2) Bond Registrar/Bond Register. The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of a State fiscal agent. The City shall cause a Bond Register to be maintained by the Bond Registrar. So long as any Underwritten Bonds of a series remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of

Underwritten Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Underwritten Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(3) Registered Ownership. The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Underwritten Bond of a series as the absolute owner thereof for all purposes (except as provided in this ordinance or in the Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Underwritten Bond shall be made only as described in Section 3(g) hereof, but such Underwritten Bond may be transferred as herein provided. All such payments made as described in Section 3(a)(8) shall be valid and shall satisfy and discharge the liability of the City upon such Underwritten Bond to the extent of the amount or amounts so paid.

(4) DTC Acceptance/Letters of Representations. The Underwritten Bonds of a series initially shall be held in fully immobilized form by DTC acting as depository. The City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Underwritten Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on the Underwritten Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Underwritten Bonds are held by DTC or its successor depository or its nominee, DTC, its successor depositor or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the Beneficial Owners of such Underwritten Bonds.

(5) Use of Depository.

(A) The Underwritten Bonds of a series shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond of a series maturing on each of the maturity dates for such Underwritten Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the Finance Director pursuant to subsection (B) below or such substitute depository's successor; or (iii) to any person as provided in subsection (D) below.

(B) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may thereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(C) In the case of any transfer pursuant to clause (i) or (ii) of subsection (A) above, the Bond Registrar shall, upon receipt of all outstanding Underwritten Bonds together with a written request on behalf of the Finance Director, issue a single new Underwritten Bond for such series for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(D) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Finance Director determines that it is in the best interest of the Beneficial Owners of the Underwritten Bonds of a series that such owners be able to obtain such Bonds in the form of physical Bond certificates, the ownership of such Underwritten Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Underwritten Bonds of such series together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds of such series shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(6) Registration of Transfer of Ownership or Exchange; Change in Denominations. The transfer of any Underwritten Bond may be registered and Underwritten Bonds may be exchanged, but no transfer of any such Underwritten Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Underwritten Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Underwritten Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Underwritten Bond (or Underwritten Bonds at the option of the new Registered Owner) of the same series, date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Underwritten Bond, in exchange for such surrendered and canceled Underwritten Bond. Any Underwritten Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Underwritten Bonds of the same series, date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Underwritten Bond during the period from the Record Date to the redemption or payment date.

(7) Bond Registrar's Ownership of Bonds. The Bond Registrar may become the Registered Owner of any Underwritten Bond with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners or Beneficial Owners of Underwritten Bonds.

(8) Place and Medium of Payment. Both principal of and interest on the Underwritten Bonds shall be payable in lawful money of the United States of America. Interest on the Underwritten Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Underwritten Bonds of a series are held by DTC, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Underwritten Bonds of a series are no longer held by DTC or in fully immobilized form, interest on such Underwritten Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than $1,000,000 of Underwritten Bonds of a series (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of such Underwritten Bonds shall be payable upon presentation and surrender of such Underwritten Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Underwritten Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

(b) *Direct Purchase Bonds*.

(1) Bond Details. Any Bonds may be sold as Direct Purchase Bonds. Direct Purchase Bonds shall be dated as of the date of delivery to the Direct Purchaser, shall be fully registered as to both principal and interest, shall be in one denomination, and shall mature on the date set forth in the applicable Sale Document. Direct Purchase Bonds shall bear interest from the dated date or the most recent date to which interest has been paid at the interest rate set forth in the applicable Sale Document. Interest on the principal amount of Direct Purchase Bonds shall be calculated per annum on a 30/360 basis, or as otherwise provided in the Bond and in the applicable Sale Document. Principal of and interest on Direct Purchase Bonds shall be payable at the times and in the amounts set forth in the payment schedule attached to the Direct Purchase Bond.

(2) Registrar/ Bond Registrar. The Finance Director or the State fiscal agent shall act as Bond Registrar for any Direct Purchase Bonds. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Direct Purchase Bonds if transferred or exchanged in accordance with the provisions of the Direct Purchase Bonds and this ordinance, and to carry out all of the Bond Registrar's powers and duties under this ordinance with respect to Direct Purchase Bonds.

(3) Registered Ownership. The City and the Bond Registrar may deem and treat the Registered Owner of any Direct Purchase Bond as the absolute owner for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

(4) Transfer or Exchange of Registered Ownership. Direct Purchase Bonds shall not be transferrable without the consent of the City unless (i) the Direct Purchaser's corporate name is changed and the transfer is necessary to reflect such change, or (ii) the transferee is a successor in interest of the Direct Purchaser by means of a corporate merger, an exchange of stock, or a sale of assets. Notwithstanding the foregoing, Direct Purchase Bonds may be transferred upon satisfaction of the requirements, if any, set forth in the applicable Sale Document and the Direct Purchase Bonds.

(5) Place and Medium of Payment. Both principal of and interest on Direct Purchase Bonds shall be payable in lawful money of the United States of America. Principal and interest on Direct Purchase Bonds shall be payable by check, warrant, ACH transfer or by other means mutually acceptable to the Direct Purchaser and the City as set forth in the Sale Document.

<u>Section 4</u>. <u>Redemption Prior to Maturity and Purchase of Bonds</u>.

(a) *Redemption of Bonds*. The Bonds of each series shall be subject to mandatory redemption to the extent, if any, as set forth in the applicable Sale Document and as approved by a Designated Representative pursuant to Section 10 of this ordinance. The Bonds of each series shall be subject to optional redemption and/or prepayment on the dates, at the prices and under the terms set forth in the applicable Sale Document approved by a Designated Representative pursuant to Section 10 of this ordinance.

(b) *Purchase of Bonds*. The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Finance Director.

(c) *Selection of Bonds for Redemption*. If the Underwritten Bonds are held in book-entry only form, the selection of particular Underwritten Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Underwritten Bonds are no longer held by a depository, the selection of such Underwritten Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c) or as otherwise provided in the applicable Sale Document. If the City redeems at any one time fewer than all of the Taxable Bonds of a series having the same maturity date, the particular Taxable Bonds or portions of Taxable Bonds of such series and maturity to be redeemed shall be selected on a pro rata pass-through distribution of principal basis. In the event that only a portion of the principal sum of a Taxable Bond is redeemed, upon surrender of such Taxable Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Taxable Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized. If the City redeems at any one time fewer than all of the Tax-Exempt Bonds having the same maturity date within a series, the particular Tax-Exempt Bonds or portions of Tax-Exempt Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of a Tax-Exempt Bond of a denomination greater than $5,000, the City and the Bond Registrar shall treat each Tax-Exempt Bond of such series as representing such number of separate Tax-Exempt Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Tax-Exempt Bonds of such series by $5,000. In the event that only a portion of the principal sum of a Tax-Exempt Bond is redeemed, upon surrender of such Tax-Exempt Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Tax-Exempt Bond or Bonds of like maturity, series, and interest rate in any of the denominations herein authorized. To the extent the City optionally redeems or purchases for retirement any term bond, any remaining mandatory sinking fund payment or mandatory prior redemption requirements for such term bond shall be reduced on a pro rata basis.

(d) *Notice of Redemption or Prepayment.*

(1) Official Notice. Notice of any prepayment of Direct Purchase Bonds shall be provided by the City to the Direct Purchaser as provided in the applicable Sale Document.

For so long as the Underwritten Bonds are held in book-entry form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Underwritten Bonds are no longer held in book-entry form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Underwritten Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Underwritten Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state: (A) the redemption date, (B) the redemption price, (C) if fewer than all outstanding Underwritten Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (D) any conditions to redemption, (E) that (unless such notice is conditional) on the redemption date the redemption price will become due and payable upon each such Underwritten Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (F) the place where such Underwritten Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Underwritten Bonds or portions of Underwritten Bonds which are to be redeemed on that date.

The City retains the right to rescind any redemption notice and the related optional redemption of Underwritten Bonds by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date.

Any notice of optional redemption that is so rescinded shall be of no effect, and the Underwritten Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived and the notice of such redemption has not been rescinded, the Underwritten Bonds or portions of Underwritten Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, unless the City defaults in the payment of the redemption price, such Underwritten Bonds or portions of Underwritten Bonds shall cease to bear interest. Upon surrender of such Underwritten Bonds for redemption in accordance with said notice, such Underwritten Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Underwritten Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Underwritten Bonds being redeemed; (B) the date of issue of such Underwritten Bonds as originally issued; (C) the rate of interest borne by each Underwritten Bond being redeemed; (D) the series and maturity date of each Underwritten Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Underwritten Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Underwritten Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Form of Bonds. The Bonds of each series shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference, with such changes thereto as may be approved by a Designated Representative.

Section 6. Execution of Bonds. The Bonds of each series shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Bonds that bear a Certificate of Authentication in the form set forth in Exhibit A, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this ordinance.

In case either or both of the officers who shall have executed the Bonds shall cease to be an officer of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bond shall be valid nevertheless and may be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Bond, are the proper officers of the City, although at the nominal date of such Bond any such person shall not have been such officer of the City.

Section 7. Application of Bond Proceeds.

(a) *Project Fund.* The Finance Director is hereby authorized to create a fund or account (the "Project Fund"), and subaccounts therein as necessary, for the purposes set forth in this section. Proceeds of the Bonds, net of any Underwriter's discount and fees, shall be deposited in the Project Fund in the amounts specified in the closing memorandum prepared in connection with the issuance of the Bonds. Such proceeds shall be used to pay and/or reimburse the City for the costs of the Projects and, unless otherwise provided by the City, to pay costs of issuance of the Bonds.

The Finance Director shall invest money in the Project Fund and the subaccounts contained therein in such obligations as may now or hereafter be permitted by law to cities of the State and which will mature prior to the date on which such money shall be needed, but only to the extent that the same are acquired and disposed of at Fair Market Value. Any remaining Bond proceeds (including interest earnings thereon) may be used for other capital projects of the City or shall be transferred to the Debt Service Fund for the applicable series of Bonds.

To the extent the City makes capital expenditures for the Projects prior to the date the Bonds are issued, the City intends to reimburse all or a portion of those capital expenditures out of the proceeds of the Bonds as permitted by U.S. Treasury Regulation § 1.150-2(d).

Section 8. Tax Covenants. The City will take all actions necessary to assure the exclusion of interest on any Tax-Exempt Bonds from the gross income of the owners of such Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Tax-Exempt Bonds, including but not limited to the following, except as otherwise set forth in the Federal Tax Certificate:

(a) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Improvements.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the projects financed with proceeds of Tax-Exempt Bonds other than in the ordinary course of an established government program under U.S. Treasury Regulation § 1.141-2(d)(4) or (ii) any real property components of the projects financed with proceeds of Tax-Exempt Bonds, unless it has received an opinion of Bond Counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Bonds as excludable from gross income for federal income tax purposes.

(c) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Bonds.

(e) *No Arbitrage.* The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) *Registration Covenant.* The City will maintain a system for recording the ownership of each Tax-Exempt Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Bonds have been surrendered and canceled.

(g) *Record Retention*. The City will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for at least three years after the Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Bonds.

(h) *Compliance with Federal Tax Certificate*. The City will comply with the provisions of the Federal Tax Certificate with respect to any series of Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

The covenants of this section will survive payment in full or defeasance of the Tax-Exempt Bonds.

Section 9. Debt Service Fund; Pledge of Funds; General Obligation. The City hereby authorizes the creation of one or more funds, and accounts held therein, to be used for the payment of debt service on each series of Bonds, designated as the "Limited Tax General Obligation Bond Debt Service Fund" or other such designation selected by the City (the "Debt Service Fund"). No later than the date each payment of principal of or interest on the Bonds becomes due, the City shall transmit sufficient funds, from the Debt Service Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the Debt Service Fund not needed to pay the interest or principal next coming due may be invested in legal investments for City funds, but only to the extent that the same are acquired and disposed of at Fair Market Value. Any interest or profit from the investment of such money shall be deposited in the Debt Service Fund.

The City hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with other lawfully available funds, to pay the principal of and interest on the Bonds when due.

The City hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds when due.

<u>Section 10</u>. <u>Sale of Bonds</u>.

(a) *Bond Sale*. The Council has determined that it is in the best interest of the City to delegate to the Designated Representatives for a limited time the authority to authorize the Bonds to be issued in one or more series, to designate each series of Bonds as Tax-Exempt Bonds or Taxable Bonds, to determine the method of sale for each series of Bonds, and to approve the interest rates, maturity dates, redemption terms and principal maturities for each series of Bonds. The Designated Representatives are each hereby authorized to approve the issuance, from time to time, on a single date or on multiple dates to be determined to be in the best interest of the City, of one or more series of Bonds and to approve whether each series of Bonds shall be sold in a private placement to a Direct Purchaser or to an Underwriter through a competitive bond sale or a negotiated bond sale for each series of Bonds, as set forth below.

(b) *Direct Purchase*. If a Designated Representative determines that each series of Bonds are to be sold by private placement, the Designated Representative shall solicit proposals to purchase the Direct Purchase Bonds and shall select the Direct Purchaser that submits the proposal that is in the best interest of the City. Direct Purchase Bonds shall be sold to the Direct Purchaser pursuant to the terms of a Loan Agreement.

(c) *Negotiated Bond Sale*. If a Designated Representative determines that one or more series of Bonds are to be sold by negotiated public sale, a Designated Representative shall solicit bond underwriting proposals and shall select one or more Underwriters that a Designated Representative determines to be in the best interest of the City. Such Bonds shall be sold to the Underwriter(s) pursuant to the terms of a Bond Purchase Contract.

(d) *Competitive Sale*. If a Designated Representative determines that one or more series of Bonds are to be sold at a competitive public sale, a Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in an amount not less than one percent of the principal amount of the offering accompany each bid; (4) cause notice of the public sale to be given; and (5) provide for such other matters pertaining to the public sale as a Designated Representative deems necessary or desirable. Such Bonds shall be sold to the Underwriter pursuant to the terms of a Certificate of Award.

(e) *Sale Parameters*. Subject to the terms and conditions set forth in this Section 10, each Designated Representative is hereby authorized to approve the method of sale for each series of Bonds, designate such series as Tax-Exempt Bonds or Taxable Bonds, and determine the final interest rates, aggregate principal amount, principal maturities, and redemption terms for any series of Bonds in the manner provided hereafter so long as:

(1) the aggregate principal (face) amount of all Bonds issued pursuant to this ordinance does not exceed Sixty-Five Million Dollars $(65,000,000.00),

(2) the final maturity date for the Bonds issued under this ordinance is no later than December 31, 2057,

(3) the true interest cost for any Bonds of a series (in the aggregate) does not exceed Seven Percent (7.0%), and

(4) the aggregate purchase price for the Bonds of a series shall not be less than Ninety Five Percent(95%) or more than One Hundred Thirty-Five Percent (135%).

Subject to the terms and conditions set forth in this Section 10, each Designated Representative is hereby authorized to execute one or more Sale Documents on behalf of the City.

Following the execution of a Sale Document, a Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 10 to execute any Sale Document shall expire one year (365 days) after the effective date of this ordinance. If a Sale Document for the Bonds has not been executed by such date, the authorization for the issuance of such Bonds shall be rescinded, and such Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a Sale Document or establishing terms and conditions for the authority delegated under this Section 10.

(f) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance, the proper officials of the City, including but not limited to the Designated Representatives, the City Attorney, the Mayor, and the City Clerk, are authorized and directed to undertake all actions necessary for the prompt execution and delivery of each series of Bonds to the Direct Purchaser or Underwriter, as applicable, and further to execute all closing certificates and documents required to effect the closing and delivery of each series of Bonds in accordance with the terms of the applicable Sale Document. Such documents may include, but are not limited to, documents related to a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Bonds as provided therein, if such insurance is determined by a Designated Representative to be in the best interest of the City.

(g) *Preliminary and Final Official Statements.* The City Administrator and the Finance Director are each hereby authorized to approve and deem final the preliminary Official Statement(s) relating to a series of Bonds for the purposes of the Rule. The City Administrator and the Finance Director are further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement(s) relating to the issuance and sale of a series of Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 11. Undertaking to Provide Ongoing Disclosure. The City covenants to execute and deliver at the time of Closing of a series of any Underwritten Bonds a Continuing Disclosure Certificate. Each Designated Representative is hereby authorized to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of any series of Underwritten Bonds with such terms and provisions as such officer shall deem appropriate and in the best interest of the City.

The City may agree to provide the Direct Purchaser certain financial or other information and agree to such additional covenants as determined to be necessary by the Designated Representative and as set forth in any Loan Agreement approved by the Designated Representative pursuant to Section 10.

Section 12. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds are lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like series, date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon such Registered Owner's filing with the City (a) evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed, (b) evidence of such Registered Owner's ownership of such Bond or Bonds, and (c) upon furnishing the City and the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 13. Severability; Ratification. If any provision of this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 14. Corrections by Clerk. Upon approval of the City Attorney and Bond Counsel, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 15. **Effective Date of Ordinance.** This ordinance shall become effective thirty (30) days after passage, approval and publication as provided by law.

ADOPTED this 15th day of September, 2026.

CITY OF TUMWATER

____
Leatta Dahlhoff, Mayor

ATTEST:

____
Melody Valiant, City Clerk

APPROVED AS TO FORM:

____
Pacifica Law Group LLP, Bond Counsel

Published: __________________________

Effective Date: ______________________

EXHIBIT A

FORM OF BOND

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. ____ $__________

STATE OF WASHINGTON
CITY OF TUMWATER
LIMITED TAX GENERAL OBLIGATION BOND, 2026[__] [(TAX-EXEMPT/TAXABLE)]

INTEREST RATE: % MATURITY DATE:
CUSIP NO.:
REGISTERED OWNER: CEDE & Co.
PRINCIPAL AMOUNT: ________ NO/100 DOLLARS

The City of Tumwater, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from __________, 2026, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on ________ 1, 2026, and semiannually thereafter on the first days of each succeeding __________ and __________. Both principal of and interest on this bond are payable in lawful money of the United States of America. [The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.]

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. O2026-006 duly passed by the City Council on ______________, 2026 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of

Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like series, date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of $____________ and is issued pursuant to the Bond Ordinance to provide the funds necessary to purchase and remodel a new City Hall building, remodel Fire Station T-2, purchase land to support the Habitat Conservation Plan, and to pay costs of issuance of the Bonds.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other legally available funds, to pay the principal of and interest on this bond as the same shall become due on and after such date. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Tumwater, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this _____ day of ___________, 2026.

CITY OF TUMWATER, WASHINGTON

By ___________________/s/__________________
___
Leatta Dahlhoff, Mayor

ATTEST:

_______________/s/_______________
Melody Valiant, City Clerk

[FOR UNDERWRITTEN BONDS]

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is of the Limited Tax General Obligation Bonds, 2026 [(Taxable/Tax-Exempt)], of the City of Tumwater, Washington, dated _____________, 2026.

WASHINGTON STATE FISCAL AGENT, as Bond Registrar
By ___________________________

[FOR DIRECT PURCHASE BONDS]

REGISTRATION CERTIFICATE

This bond is registered in the name of the Registered Owner on the books of the City, in the office of the ___________ (the "Bond Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this bond shall be made by the City as provided in the Bond Ordinance.

Date of Registration	Name and Address of Registered Owner	Signature of Bond Registrar
____________ __, 2026		____________________

PAYMENT SCHEDULE

Principal and interest on this bond shall be payable as set forth in the following schedule:

Date	Principal	Interest	Total Payment

CERTIFICATE

I, the undersigned, City Clerk of the City of Tumwater, Washington, DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. O2026-006 (the "Ordinance") of the City, duly passed at a regular meeting of the City Council (the "Council") of the City held on September 15, 2026.

2. That said meeting was duly convened and held in all respects in accordance with law, and due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of September, 2026.

____
City Clerk