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Doug Merriman Ph.D
City Supervisor

MEMO TO: City Council
FROM: Doug Merriman, City Supervisor
RE: Fiscal Contingency Policy
DATE: April 22, 2020

This memo is to send you additional information on two of the agenda items coming up at this week's City Council meeting. I will also add this as a late materials item. After getting some feedback on our packet, I thought this might be helpful in that these two items would normally have come to a Council workshop for discussion. However, due to our current situation this is not possible at this time.

Unfinished business #1 – Ordinance #1955-20: The purpose of this item is to allow for accounts payable checks to be mailed out on a periodic basis that is based more on actual payment due dates than our City Council meeting dates.

Currently, we input payment information and print checks, with those checks sitting in our vault until after our next City Council meeting. There are times when the payment due dates do not line up with our City Council calendar putting us in the position of being late with our payments. This can cause not only late payments, but the process can also cause payments to be assigned to the wrong pay period.

For example, checks we input and print after the second meeting of the Month A, do not get approved and mailed until the first City Council meeting in Month B which many times be after the 10th of Month B. This is especially tricky at the end of a month or the end of the year when we are trying to pay bills before period end close out and we may cancel the last meeting of the year. We bump into this issue when paying payroll taxes to the State/Federal Government.

The proposed change would allow Finance to print and mail out payments in a timely manner. City Council still retains control over the process and would still have the option to approve or deny payment on a claim. If there is a denial, the burden is then on staff to recover the payment via collections, if needed. In checking with staff, there has not been a Council denial of payment of a bill in many years. This is probably due to the scrutiny that bills go through prior to even being printed. We follow the State Auditors recommended guidelines on payments – which often includes the review and signature of 3 different people before checks are printed.

I implanted this same process at the City of Oak Harbor. The result was an equally secure process that not only made our payments timely, but reduced staff time needed to adjust invoices for payments we had already made to a vendor, but had missed their billing cycle.

Your help in improving this process would be greatly appreciated.

Unfinished business #2: Fiscal Contingency Policy

This policy is one in the series of financial policies I have been working on. A Fiscal Contingency Policy is a “what if” policy that is triggered when the City experiences a financial emergency. (I actually wrote a version of this policy in 2008-2009 at the beginning of the Great Recession).

The purpose of this policy is to put in place a mechanism to respond to an unplanned and significant change to one or more of our revenues. If this were to occur, the policy outlines certain reporting requirements, the triggering of a higher level of financial review, and a guideline on how to review expenditure cuts, should they be required. Many times when a fiscal emergency presents itself, there is a reactive response that may temporarily fix the issue but may not be the most strategic answer. A Fiscal Contingency Policy puts some steps in place to encourage a strategic approach.

Nothing in this policy removes any legislative control of City Council over how to respond to a fiscal emergency. What we would want to see is that there is a process in place to report it to you, accompanied with the correct data to make the best decision.

Your assistance in improving our response to a fiscal emergency would be greatly appreciated as well.

It is my hope that this additional information provides a background as to the purpose of these two items. As always, I am always interested in your thoughts and suggestions.

Sincerely,

Doug