



Community Connectivity Consortium

Financial Policies

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Overview

The Community Connectivity Consortium (Consortium) started in 2003 with a joint fiber project two government organizations. It quickly grew to add more cities, school districts, university, hospital and public safety agencies. In 2011, the Consortium was formally organized as a government agency. The consortium continually finds opportunities to jointly build and expand the fiber network throughout the region.

An Interlocal Agreement (ILA) provides the basis for this partnership. By-laws have been established to guide the business of the Consortium. These financial and operating policies work in concert with the ILA and By-laws. The Consortium Board oversees the management and operations of the Consortium and has authority for managing and monitoring these policies. The Board Chair is responsible for the implementation and administration of these policies. The Fiscal Agent will adhere to these policies in executing its fiscal responsibilities.

1. Authorization

The Consortium Board shall adopt new policies and/or change existing policies at any time it determines it is necessary to do so. Financial policies will be reviewed during the budget development and adoption process.

2. Fiscal Stewardship

The purpose of fiscal policies is to ensure the Consortium shall be managed in a responsible and fiscally sustainable manner, in accordance with applicable laws, standards, financial practices and these financial policies. The policies include:

- a. Funding can come from multiple sources, with the primary sources being Member fees and grants.
- b. It is incumbent on Fiscal Agent to provide professional fiscal management of Consortium funds and resources. This requires thorough knowledge of and conformance with the municipal financial management processes and systems as well as applicable laws and standards. It also requires on-going monitoring of revenues and expenses in order to make decisions and report to the Board, as needed, regarding the status of Consortium finances.
- c. The Board negotiates a service level agreement (SLA) with the service providers to ensure services are consistently provided and coordinated with these financial policies.
- d. All expenditures, including proposed budget additions and deletions, are documented in the budget process and are approved by the Consortium Board.
- e. Restricted revenue (and associated expenses), based on applicable local and state law, is managed separately from unrestricted revenue (and expenses).
- f. Unless otherwise directed, City of Bellevue financial practices will be used as the basis for fiscal stewardship.

3. Expense Allocation

The Consortium may establish program areas and allocate direct and shared expenses between program areas. Program expense allocation is important both from a budget development, budget monitoring, and management perspective. It assists in establishing a cost basis for each program and annual membership fees.

The purpose of this policy is to provide guidelines and parameters for allocating expenses to Consortium programs. Specific guidelines are determined during annual budget process, but generally the expense allocation

policy allows:

- a) Direct Expenses: expenses that are specific to an individual program and as a result are not shared with other Consortium programs.
- b) Shared Expenses: expenses that are shared by all programs.
- c) Limited Shared Expenses: expenses that are shared among a limited number of programs.
- d) Special Projects: From time to time the Consortium, at the direction of the Consortium Board, undertakes special projects which incur additional costs. In the case of special projects the expense allocation and overhead rates shall be established at the time the Board authorizes the project.

4. Revenue and Fees

The Consortium has a business need to proactively manage the fees and revenues needed to operate and sustain established programs and services for the benefit of member jurisdictions and public constituent users. Consortium programs may be funded through a combination of revenue sources that may include but are not limited to Member fees, grants, interests, donations, and other service fees.

The **revenue** policies are intended to ensure that programs will be adequately funded to provide reliable and sustained resources for core operations, services, and reserves, and ensure appropriate use and allocation of revenue. Revenue policies allow:

- a) Unrestricted Revenue: Consortium revenues derived through fees and charges paid directly by members (for services), including, but not limited to, annual fees, service fees, interest and other general revenues shall be classified as unrestricted revenues.
- b) Restricted Revenue: these revenues shall be limited to funding and supporting the program or service for which the fees were collected. Consortium restricted revenues may include, but are not limited to:
 - i. Fees paid by citizens and businesses for specific services
 - ii. Program or service specific grant(s) or donation(s)
 - iii. Special program or project assessments
 - iv. Revenues and fees which are legally restricted

The **fee** policies ensure predictable and stable partner and subscriber fees and rates. Membership fees shall be adopted by the Consortium Board as part of the annual budget process. Fee policies include:

- a. The Consortium Board establishes the membership fee methodology and fee schedule.
- b. Fees are established based on size of organization, as defined by size of a Member's general fund.
- c. Rates for small, medium and large organizations are approved by the Consortium Board prior to budget presentation to the Consortium Members.
- d. The Consortium Board approves revenue agreements from partnerships, grants and other special circumstances.

5. Membership Policies:

Voting Member policies include:

- Per the By Laws, a Voting Member begins as a Non-Voting Member for one year and is not subject to membership fees during that year.
- If a Voting Member's first year of eligible fees is not a full fiscal year, the year's fees are pro-rated for that year.

Non-Voting Member Policies include:

- Non-Voting Members are not required to pay membership fees.
- Non-Voting Members may be subject to sharing project costs if participating in Projects Agreements or other shared services.

6. Reserves

Operating reserves are established to provide a financial mechanism to limit risk in the short and long term by providing flexibility in emergencies, and/or mitigating impacts from unforeseen changes in membership and other factors that can cause dramatic swings in program and service costs. These policies include:

- a. Operating reserves shall be targeted at 10% of total Operating expenditures (not including investments).
- b. Insufficient Reserves: when reserves fall below the target, the Consortium Board will note that as part of the budget process and make recommendations to the Consortium Members to bring reserves back in line with the target.
- c. Excess Reserves:
 - i. If revenue exceeds budget or expenditures are less than budget, this may result in excess reserves. Excess reserves will be any amount greater than reserve policy above that is not attributable to extenuating circumstances or special purpose needs (such as rollover expense from one year to the next for items budgeted but not paid until the following year).
 - ii. The use of excess reserves will be approved by the Consortium Board.
- d. The potential options for the use of excess reserves, with approval from the Consortium Board, include:
 - i. future investments,
 - ii. unique, one time expenditures
 - iii. refunds to members
 - iv. reduction of future member fees
 - v. replacement reserves

Replacement Reserves are established to provide a financial mechanism to set aside funds for the future replacement of the fiber infrastructure that the Consortium owns, such as the Fiber Bank.

- a. The Fiscal Agent shall maintain the replacement costs of all assets and report to the Consortium Board as part of the budget process.
- b. The lifecycle shall be set at 30 year life for fiber assets to be used to determine the annual contribution to the Replacement Reserves.
- c. Annual contribution to the Replacement Reserves shall be done until assets are fully covered, unless otherwise directed by the Consortium Members during the budget adoption process.

7. Purchasing

The City of Bellevue is the current Fiscal Agent for the Consortium. The City of Bellevue’s purchasing policies will be followed.

The purpose of this policy is to identify and outline appropriate modifications to the Bellevue purchasing policies for the Consortium. For the purposes of the Consortium the following authorities shall supersede the authorities provided for by the Bellevue policy.

- a. Contract Approval Authorities: the “City Council” shall be the Consortium Members
- b. City Manager, Finance or other department director(s) shall be the Consortium Board with the following provisions;

- i. Expenditure contracts up to \$50,000 may be approved by the Consortium Board Officers and executed by the Consortium Board Chair.
- ii. Expenditure contracts exceeding \$50,000 shall be reviewed and approved by the Consortium Board
- iii. All contract activity will be reported to the Consortium Board on a monthly basis.
- c. Business Expense Policy
 - i. The Board Chair is responsible for administration of the Business Expense Policy.
 - ii. The purchase of out-of-area travel expenses, including meals, transportation and conference dues must be pre-approved, in writing, by the Consortium Board Officers. The Board Officers shall inform the Consortium Board of any travel and extraordinary business expense.
- d. Exceptions
 - i. Exceptions to the Business Expense Policy require the written approval of the Consortium Board Chair or designee.
- e. Definitions
 - i. Employees shall mean the employees of any Consortium member government agency
- f. Periodic Policy Updates and Review
 - i. Updates and modifications of the Bellevue Purchasing Policy shall be adopted automatically, unless specific action is taken by the Consortium Board.
 - ii. Consortium use of the Bellevue Purchasing Policy is subject to procedural oversight by the Bellevue Finance Department as the fiscal agent for the Consortium.

8. Accounts Receivable

The Consortium is supported by annual member fees and other funding sources. Consortium member agencies are bound by agreement to pay the annual member fees unless adequate notice is provided or the parties mutually agree to an early termination. Write-off policy includes:

- a. The Consortium Board shall be notified of any accounts receivable accounts which are over one year old and deemed to be uncollectible by the Consortium Board Officers. An account shall not be recommended for write-off unless all cost-effective means of collection have been exhausted.
- b. The Consortium Board is the governing body of the Consortium and as such as final authority for the Accounts Receivable Write-off Policy. The Consortium Board delegates authority to execute this Policy as follows:
 - i. Account receivable write-off approvals for amounts less than \$5,000 may be made by the Consortium Board Officers.
 - ii. Account receivable write-off approvals for amounts greater than \$5,000 shall be made by the Consortium Board.

9. Member Responsibilities

- a. All costs associated with a Member's network and facilities are the financial responsibility of that jurisdiction. This includes operational, maintenance and replacement costs.
- b. All resources necessary to support a Member's implementation of Project Agreements or shared services are the responsibility that jurisdiction. This includes internal coordination/communication within the jurisdiction to plan for fiscal expenses, engineering, configuration, testing and technical implementation.