

## SEQUIM CITY COUNCIL AGENDA COVER SHEET

**MEETING DATE:** February 23, 2015

**FROM:** Sue Hagener, Deputy Admin. Services Director

**SH**  
Initials

**SUBJECT/ISSUE:** 2014 Annual Financial Policies Report

Discussion dates	4/28/14	7/28/14	10/27/14	2/23/15
<b>CATEGORY</b>	<input type="checkbox"/> City Manager Report <input type="checkbox"/> Information Only <input type="checkbox"/> Public Hearing <input type="checkbox"/> Consent Agenda <input checked="" type="checkbox"/> Unfinished Business <input type="checkbox"/> New Business			Time Needed for Presentation
Reviewed by			Initials	Date
Steve Burkett, City Manager			SCB	2/19/2015
Craig Ritchie, City Attorney			CAR	2-17-2015
Elray Konkel				

**PROBLEM/ISSUE STATEMENT:**

The Annual Financial Policy Reports provide information to City Council on the City’s ability to operate within the financial policies adopted by City Council. The policies were adopted based on best practices and help to ensure long-term financial viability of the City and to protect City assets. The reports are provided as a means of demonstrating accountability and transparency.

**LIST OF ATTACHMENTS:**

1. [What to look for in Fund Balance and Net Surplus \(deficit\)](#)
2. [Fund Balance and Reserve Report](#)
3. [Debt Report](#)
4. [Investment Report](#)

**DISCUSSION/ANALYSIS:**

The City is in compliance with the financial policies adopted by City Council, with the exception of the Equipment Replacement Reserve. Following is a brief summary of the information contained in the attached reports.

1. Fund Balance Report – The City’s reserves for General Fund and Street Operations are above minimum levels for General, Specified & One-Time, Economic Uncertainty and Future Liability reserves. The City is at 23% of total revenues overall for year end 2014 (1% decrease from 2013) and at 30% including the equipment reserve fund (slightly higher than 2013 due to lower funding of the reserve in 2013). The Equipment reserve is currently under its minimum required balance of 2.5 years of scheduled replacement. The City intends to begin aggressively funding this fund again in 2016.
2. Debt Report – The City has acceptable (1.42%) general obligation debt. General obligation debt should be less than 4.5% of assessed values. There is no limit on revenue debt, although it does affect utility rates. There is \$5.7 million in sewer debt related to the WRF upgrade and expansion \$70k in debt related to the aerobic digester sewer project and \$3.145ml in revenue bonds related to the Civic Center (shared equally by both water and sewer).
3. Investment Report – The City’s investments appropriately meet the requirements of Washington State Law and the Investment Policy: suitable investment, diversification, performance standards and maturity. The City’s rate of return on investments continues to be above the fair rate of return established by the policy.

**FINANCIAL IMPLICATIONS:** The City continues to maintain an excellent financial position and operations continue within budgetary constraints.

**RECOMMENDATION:** Presented as an annual update to the City Council and Community.