

## SEQUIM CITY COUNCIL AGENDA COVER SHEET

**MEETING DATE:** February 22, 2016

**FROM:** Sue Hagener, Administrative Services Director

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Initials

**SUBJECT/ISSUE:** 2015 Annual Financial Policies Compliance

Discussion dates	4/27/15	7/27/15	10/26/2015	2/22/16
<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
Charlie Bush, City Manager			CPB	2/17/16
Craig Ritchie, City Attorney				

**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 protection of 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 fund balance. The minimum fund balance requirement for the Equipment Reserve equates to 2.5 years of replacement. This reserve is currently at 40% of this minimum, primarily because it was only recently

that a replacement schedule was created. A plan has been established to properly fund this reserve over time.

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 at mid-range levels for General, Specified & One-Time, Economic Uncertainty and Future Liability reserves. Water and Sewer Operations Funds are slightly above maximum. Future budgets will move excess reserves to debt or replacement reserves to fund infrastructure projects.
2. Debt Report – The City has acceptable (1.39% of Assessed Value) 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 \$5.1 million in sewer debt related to the WRF upgrade and expansion, \$84k in debt related to the aerobic digester sewer project and \$3ml 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. The City’s future budgets will include an aggressive funding strategy for the Equipment Replacement Reserve.

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