

City of Sequim 2018 Budget

All City and General Fund Overview *Providing for a Safe, Sustainable, and Connected Community*

The Sequim Vision and Council Goals

A Connected Community

Fund and Carry Out the Transportation Plan, Arts & Culture Programs, Neighborhood Improvements, Renew the TBD...

A Great Place to Live

Economic Development Plan, Youth Programs...

Friendly, Safe Neighborhoods

Partner with Non-Profits, Crime Prevention, Emergency Preparedness...

Stewards of the Environment

Solid Waste Plan, Maintain and Improve Utility Infrastructure...

Heart of the Rural Valley

Transportation Plan, Regional Partnerships, ECO-DEVO...

City Of Sequim Budget Overview

Budget Development Process

Policy Strategy Phase

Council Planning

Long Range Financial Plan

Public Input via Council Meetings & Community Survey

Needs Assessment Phase

Department Program and Staff Requests

“Budget Scrub”

City Manager Review of Requests

City Manager Proposed Budget

Public Hearing

Public Hearing on Revenue Sources
(Property Tax Levy, Rates and Fees Schedule)

Public Hearing on Budget

Adoption & Implementation

Council Adopts Budget



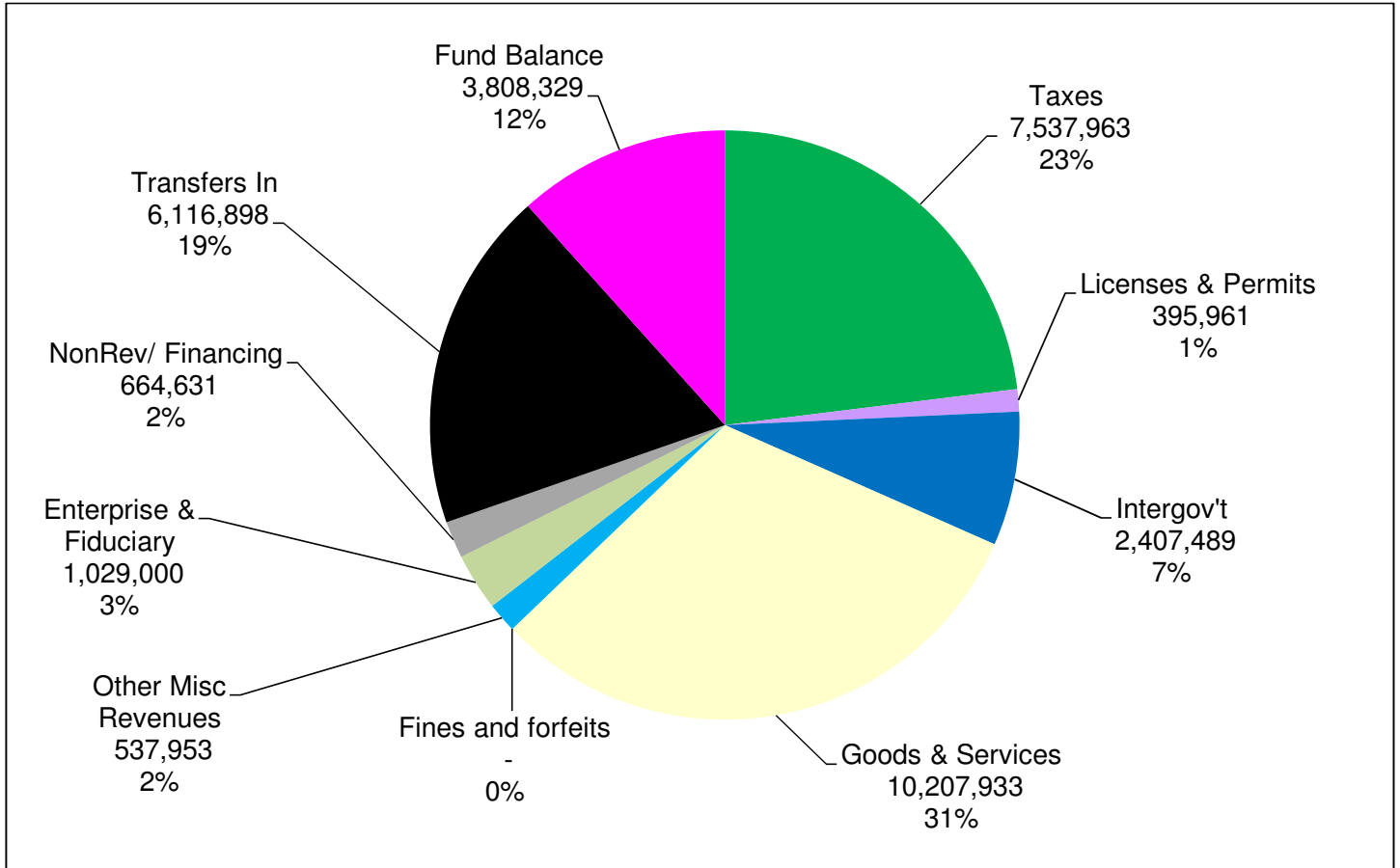
**City of Sequim
2018 Budget**

	A Beginning Fund Balance	B Revenues	C Expenses	D=B-C Surplus / (Deficit)	E=A+D Ending Fund Balance
General Fund					
001 General Fund	1,899,192	9,952,214	9,940,140	12,074	1,911,266
Special Revenue Funds					
101 Street UnRestricted	224,935	912,832	903,445	9,386	234,321
111 Street Restricted	1,508,375	3,434,874	3,904,394	(469,520)	1,038,855
107 StormWater UnRestricted	42,202	160,475	155,988	4,487	46,689
117 StormWater Restricted	177,355	235,000	175,430	59,570	236,925
115 Lodging Tax Hotel/Motel	358,736	309,825	308,314	1,511	360,247
120 Police Restricted	90,536	332,128	321,684	10,443	100,979
121 Police Asset Seizure	33,964	20,274	30,000	(9,726)	24,238
140 Parks Restricted	414,124	915,726	727,355	188,371	602,495
150 Real Estate Excise Tax	103,816	404,650	450,000	(45,350)	58,466
160 Arts & Culture-Arts Commission Progr	17,138	22,700	39,830	(17,130)	8
164 Equipment Reserve	615,480	616,580	465,800	150,780	766,260
Debt Service Funds					
206 Debt Service Fund	96,984	665,000	659,675	5,325	102,309
Capital Funds					
306 Capital Facilities Fund	62,378	101,205	104,391	(3,186)	59,192
Enterprise Funds					
401 Water UnRestricted	1,030,709	2,173,108	2,455,109	(282,001)	748,708
411 Water Restricted	2,693,630	1,470,000	3,036,660	(1,566,660)	1,126,970
402 Sewer UnRestricted	1,919,022	4,445,651	4,864,119	(418,467)	1,500,555
422 Sewer Restricted	5,899,604	2,037,520	3,464,495	(1,426,975)	4,472,629
Trust, Agency & Permanent Funds					
500 Unemployment Compensation Reserve	38,979	61,000	83,000	(22,000)	16,979
611 Flex Benefits	2,269	45,000	45,000	0	2,269
621 Police Expendable Trust	0	20,000	20,000	0	0
631 Construction Deposits	29,371	325,000	325,000	0	29,371
635 Intergovernmental Agency Fund	11,747	178,627	168,328	10,299	22,046
645 Utility Security Deposits	174,114	58,000	58,000	0	174,114
701 Haller Park Fund	29,346	440	0	440	29,786
	17,474,006	28,897,829	32,706,157	(3,808,329)	13,665,677

6,116,898	6,116,898	Transfers In / Out
22,780,931	26,589,259	Net of Transfers
2,925,000	3,248,139	InterFund Service Charges*
19,855,931	23,341,120	Net Revenues/Expenses w/o Transfers & Interfund Services
17,644,280	18,318,801	Operating Funds
11,253,549	14,387,356	Restricted/Project Funds
28,897,829	32,706,157	

**City of Sequim
2018 Budget**

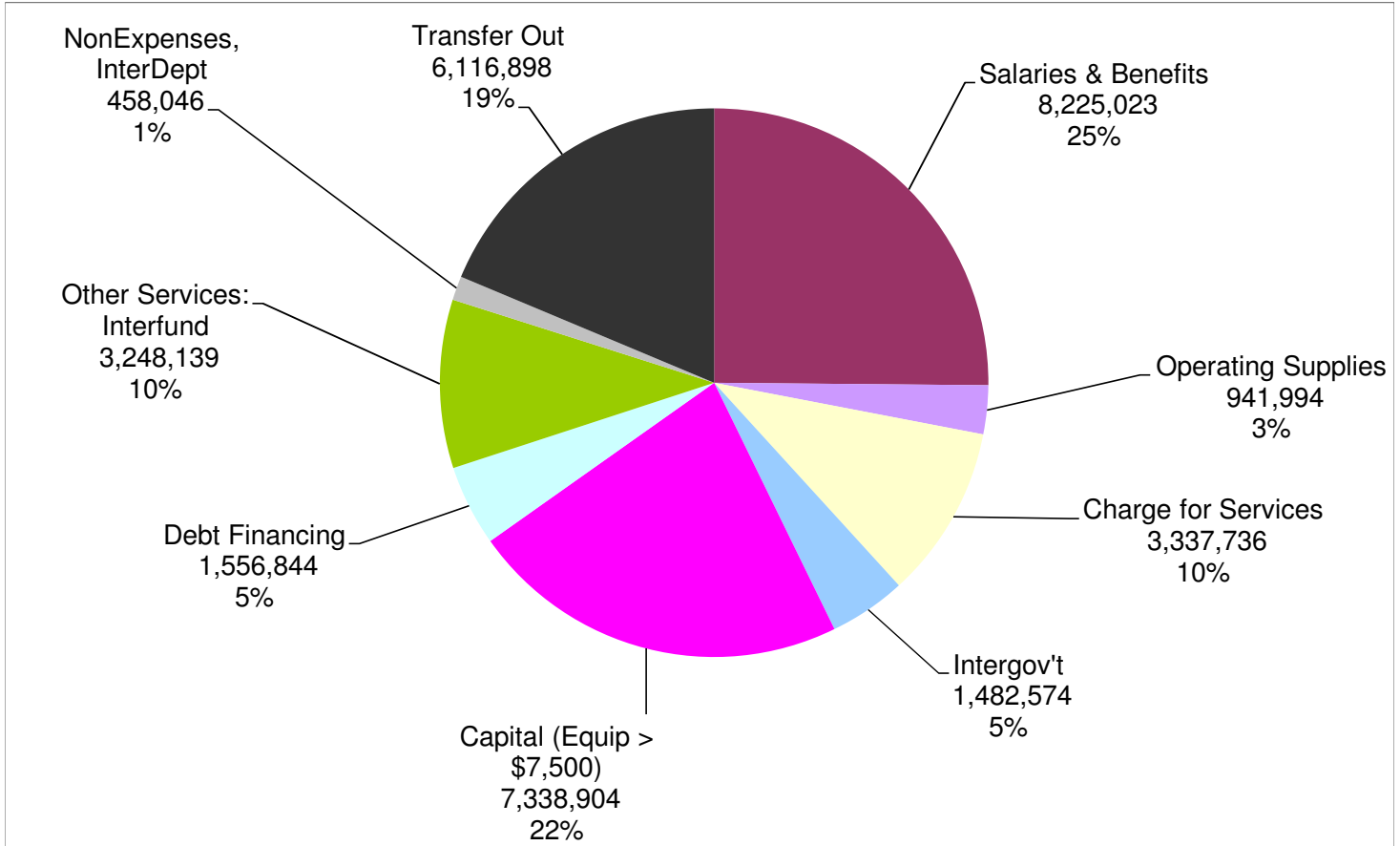
**Where will the Money Come From?
Total Revenue
32,706,157**



	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
Taxes	5,935,499	6,370,241	6,685,600	6,647,105	6,593,025	7,537,963	944,938	14.3%
Licenses & Permits	226,790	264,296	310,333	271,410	262,685	395,961	133,276	50.7%
Intergov't	510,447	666,954	640,502	2,781,102	3,517,015	2,407,489	(1,109,526)	-31.5%
Goods & Services	8,208,111	8,840,752	9,588,642	10,334,785	10,207,113	10,207,933	820	0.0%
Fines and forfeits	60,799	68,424	4,931	376	-	-	-	0.0%
Other Misc Revenues	411,673	369,213	564,313	415,596	515,402	537,953	22,551	4.4%
Enterprise & Fiduciary	511,489	2,240,234	1,222,483	1,391,377	1,025,326	1,029,000	3,674	0.4%
NonRev/ Financing	3,642,060	186,973	1,304,948	1,047,755	718,632	664,631	(54,001)	-7.5%
Net Revenues	19,506,868	19,007,087	20,321,752	22,889,506	22,839,198	22,780,930	(58,268)	-0.3%
Transfers In	11,254,162	10,088,183	5,378,960	6,911,421	7,158,423	6,116,898	(1,041,525)	-14.5%
Revenues	30,761,030	29,095,270	25,700,712	29,800,927	29,997,621	28,897,828	(1,099,793)	-3.7%
Use of Beginning Fund Balance	4,550,204	4,763,044	(1,928,487)	170,031	3,519,179	3,808,329	289,150	8.2%
Total Use of Revenue	35,311,234	33,858,314	23,772,225	29,970,958	33,516,800	32,706,157	(810,643)	-2.4%

**City of Sequim
2018 Budget**

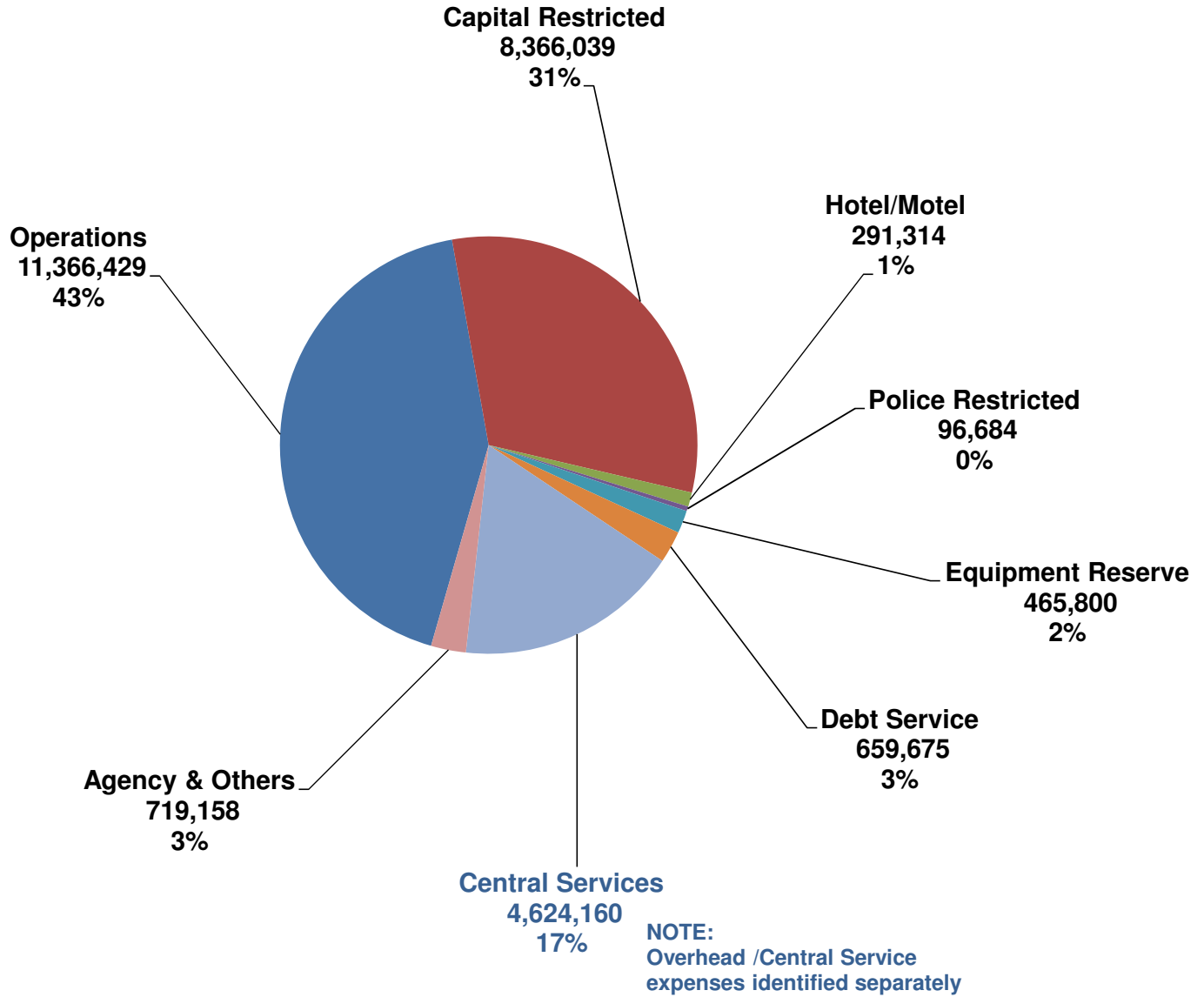
**Where will the Money Go?
Total Expenses
32,706,158**



	2014 Actual	2015 Actuals	2016 Actuals	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
Salaries & Benefits	7,058,456	7,111,483	7,511,626	7,727,626	7,823,471	8,225,023	401,552	5.1%
Operating Supplies	673,777	759,877	885,194	943,241	974,671	941,994	(32,677)	-3.4%
Charge for Services	2,667,127	2,815,738	2,340,136	2,697,112	3,318,711	3,337,736	19,025	0.6%
Intergov't	1,106,613	1,154,226	1,173,710	1,159,568	1,309,192	1,482,574	173,382	13.2%
Capital (Equip > \$7,500)	9,163,840	8,320,066	2,408,397	5,799,338	8,073,605	7,338,904	(734,701)	-9.1%
Debt Financing	1,348,867	1,597,622	1,570,616	1,561,352	1,517,342	1,556,844	39,502	2.6%
Other Services: Interfund	1,972,388	1,889,639	2,421,773	2,912,949	2,898,342	3,248,139	349,797	12.1%
NonExpenses, InterDept	66,005	121,480	81,814	258,349	443,046	458,046	15,000	3.4%
Net Expenses	24,057,073	23,770,131	18,393,266	23,059,535	26,358,380	26,589,260	230,880	0.9%
Transfer Out	11,254,162	10,088,183	5,378,960	6,911,422	7,158,422	6,116,898	(1,041,524)	-14.5%
Total Expenses	35,311,235	33,858,314	23,772,226	29,970,957	33,516,802	32,706,158	(810,644)	-2.4%

City of Sequim
2018 Budget

All City Programs Expenses - Excluding Transfers
Operations & Capital Projects
\$26,609,259



- Operations
- Capital Restricted
- Hotel/Motel
- Police Restricted
- Equipment Reserve
- Debt Service
- Central Services
- Agency & Others

	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	2018-2017 %
All City Total Expenses	24,057,073	23,770,132	18,393,266	23,059,535	26,358,379	26,589,259	230,880	1%

**City of Sequim
2018 Budget**

**All City Programs Expenses - Excluding Transfers
Operations and Capital Projects**

	2014 Actual	2015 Actual	2016 Actuals	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
All City Program								
Total Expenses	24,057,073	23,770,132	18,393,266	23,059,535	26,358,379	26,589,259	230,880	1%
Operations								
General Operations	7,502,428	7,525,513	7,589,168	7,987,303	8,072,298	8,611,540	539,242	7%
Street Ops	690,035	670,764	794,177	846,844	858,512	810,445	(48,067)	-6%
Stormwater Ops	96,639	92,825	107,676	240,242	240,475	155,988	(84,487)	-35%
Water Ops	1,227,753	1,402,310	1,518,421	1,587,439	1,591,990	1,724,069	132,079	8%
Sewer Ops	2,596,721	2,739,388	3,155,723	3,139,867	3,154,226	3,621,861	467,635	15%
Total Operations	12,113,576	12,430,800	13,165,165	13,801,695	13,917,501	14,923,903	1,006,402	7%
Capital Restricted								
Streets	760,294	973,447	537,228	1,930,333	2,388,351	3,304,394	916,043	38%
Stormwater	134,109	296,373	61,142	-	-	175,430	175,430	100%
Parks Restricted	161,930	159,037	561,071	498,263	671,647	727,355	55,708	8%
Capitals Facilities	7,418,984	6,929,743	79,506	1,005,322	1,054,002	104,391	(949,611)	-90%
Water	1,056,992	337,822	348,235	2,005,453	2,872,027	2,296,260	(575,767)	-20%
Sewer	1,350,449	1,134,561	2,279,544	1,733,634	3,086,083	2,824,895	(261,188)	-8%
Total Restricted Capital	10,882,758	9,830,983	3,866,726	7,173,005	10,072,110	9,432,725	(639,385)	-6%
Hotel/Motel	219,216	224,369	237,315	280,986	269,789	291,314	21,525	8%
Police Restricted								
Police Restricted	40,019	123,914	115,296	73,458	86,181	66,684	(19,497)	-23%
Police Asset Seizure	-	-	-	17,500	30,000	30,000	0	0%
Police Expendable Trust	8,520	643	123	-	-	-	-	0%
Total Police	48,539	124,557	115,419	90,958	116,181	96,684	(19,497)	-17%
Equipment Reserve	106,902	325,901	243,127	624,720	632,600	465,800	(166,800)	-26%
Debt Service	579,677	659,837	656,740	659,190	659,390	659,675	285	0%
Agency & Others								
Arts & Culture	4,686	3,770	21,299	33,032	49,480	39,830	(9,650)	-20%
Unemployment Reserve	4,015	6,731	3,354	49,186	50,000	83,000	33,000	66%
Flex Benefits	-	11,173	12,864	5,908	45,000	45,000	0	0%
Construction Deposits	-	38,300	27,902	181,603	325,000	325,000	-	0%
Integovernmental	-	-	-	-	-	-	-	0%
Agency Fund	65,630	71,295	33,443	112,745	168,328	168,328	-	0%
Utility Security Deposits	32,074	42,416	9,912	36,507	43,000	58,000	15,000	35%
Haller Park	-	-	-	10,000	10,000	-	(10,000)	-100%
Total Agency & Others	106,405	173,685	108,774	428,981	690,808	719,158	28,350	4%



City Of Sequim Budget Overview

Providing for a Safe, Sustainable and Connected Community...

General Fund Revenue

2018 Key Goals

- ❖ Conservatively forecast and budget revenues.
- ❖ Maintain a diversified mix of revenues to handle fluctuations and appropriately distribute costs of services.
- ❖ Identify ongoing revenues that can be matched with ongoing expenses.
- ❖ Support opportunities to enhance service delivery through intergovernmental cooperation, shared revenues and grants. This revenue will be treated as one-time revenue.
- ❖ Minimize impact of any tax and fee increases on residents and ratepayers, especially low income.
- ❖ Annually review service fees to help ensure fees are cost based for City services that provide private benefit or serve limited interests.

2018 Budget Summary

- ❖ Overall General Fund revenues are up \$569k or 6%
 - Sales Tax revenues are consistent with 2017 trends
 - License & Permits revenues are estimated to grow consistent with 2017 trends
 - Utility Taxes are increased based on projected rate changes of City wide utilities
 - Property Taxes will increase based only on new construction plus 1% as allowed by state statute
 - Interfund charges are based on non-General Fund activities where applicable – up due to increases in service costs and capital projects
 - One-time revenues of donations and Site Construction permits needed to support one-time expenses

General Fund Expenses

2018 Key Goals

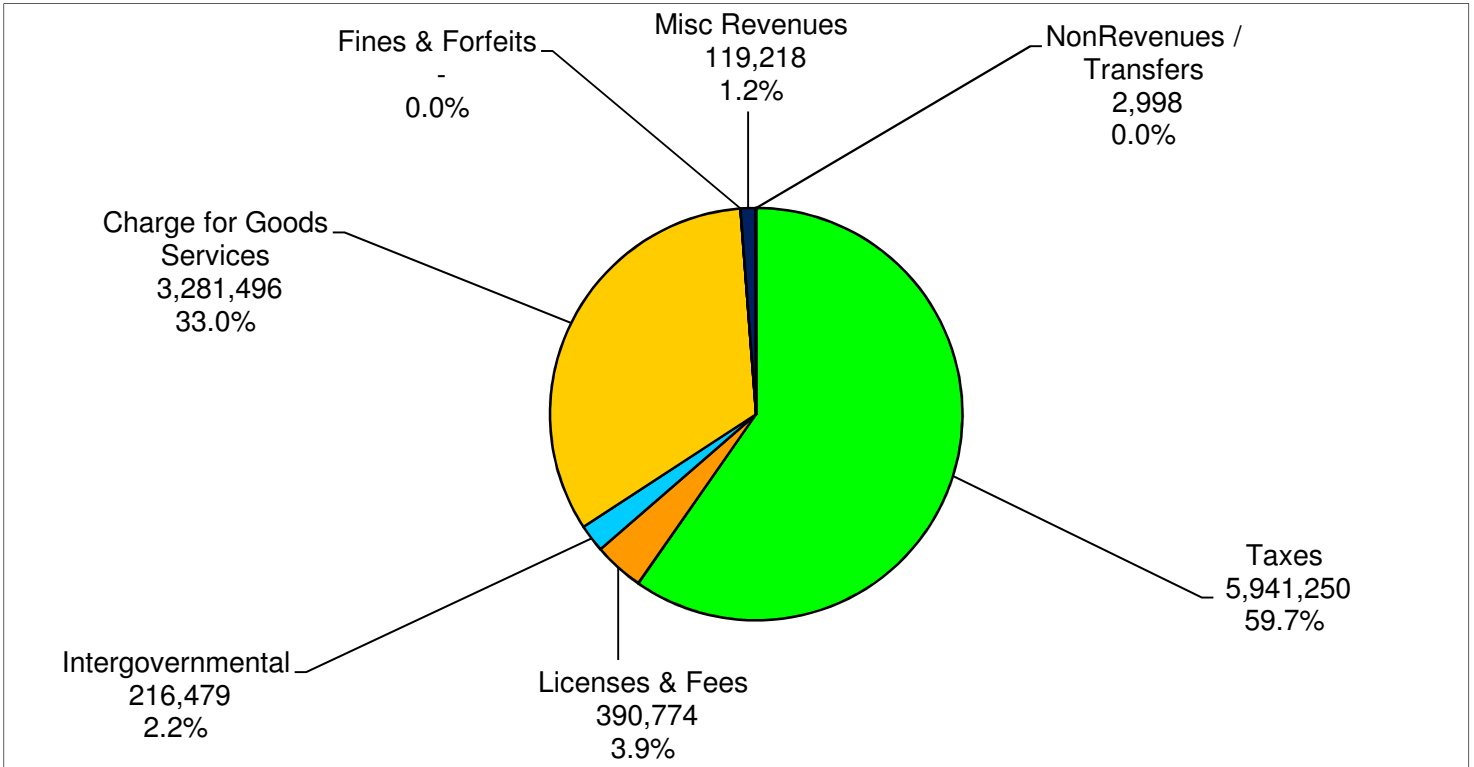
- ❖ Balance ongoing expenditures with ongoing revenues
- ❖ Full cost recovery for rates and fees and interfund support
- ❖ Support opportunities to enhance service delivery through intergovernmental cooperation
- ❖ Allocation of resources toward Council priorities

2018 Budget Summary

- ❖ Overall General Fund expenditures increased \$132k or 1%, however operating expenses excluding transfers increased \$559k or 7%
 - Salary and Benefits increased by \$329k or 6%
 - Supplies decreased \$62k or 16%
 - Services increased by \$259k or 18%
 - Transfers out decreased by \$428k when compared with the mid-year 2017 budget, where excess fund balance, sale tax revenues and unfilled positions were used to aggressively fund Long Term Debt, the Equipment Reserve, Street Operations, and Parks and Capital projects

**City of Sequim
2018 Budget**

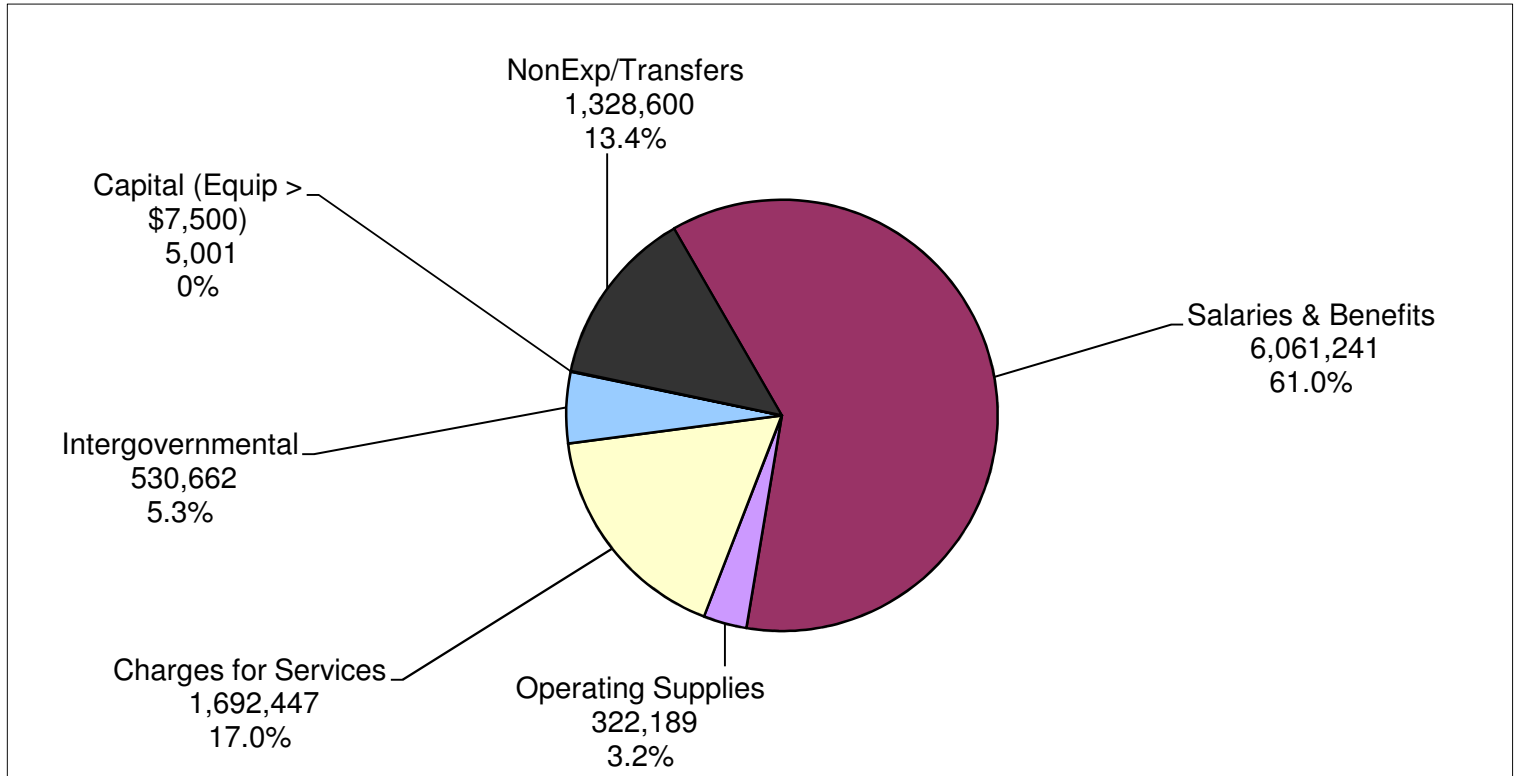
**General Fund Revenues
Total Revenues
9,952,215**



	2014 Actual	2015 Actuals	2016 Actuals	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
Beginning Fund Balance	1,868,524	1,820,544	1,811,635	2,155,443	2,151,829	1,899,192	(252,637)	-11.7%
Taxes	5,207,139	5,457,944	5,706,099	5,714,169	5,758,798	5,941,250	182,452	3.2%
Licenses & Fees	224,274	263,301	304,496	266,611	260,485	390,774	130,289	50.0%
Intergovernmental	216,366	214,021	217,030	269,856	277,738	216,479	(61,259)	-22.1%
Charge for Goods Services	2,273,708	2,212,579	2,809,715	2,976,494	2,985,760	3,281,496	295,736	9.9%
Fines & Forfeits	60,799	68,424	4,931	376	-	-	-	
Misc Revenues	108,588	109,492	117,999	120,976	108,237	119,218	10,981	10.1%
NonRevenues / Transfers	2,628	5,146	21,380	3,746	2,000	2,998	998	49.9%
TOTAL Revenues	8,093,502	8,330,907	9,181,650	9,352,228	9,393,018	9,952,215	559,197	6.0%
Total Expenses	8,141,536	8,339,818	8,837,842	9,608,478	9,828,473	9,940,140	111,667	1.1%
Net Surplus/(Deficit)	(48,032)	(8,910)	343,808	(256,250)	(435,455)	12,075	447,530	-102.8%
Ending Fund Balance	1,820,492	1,811,634	2,155,443	1,899,193	1,716,374	1,911,267	194,893	11.4%

**City of Sequim
2018 Budget**

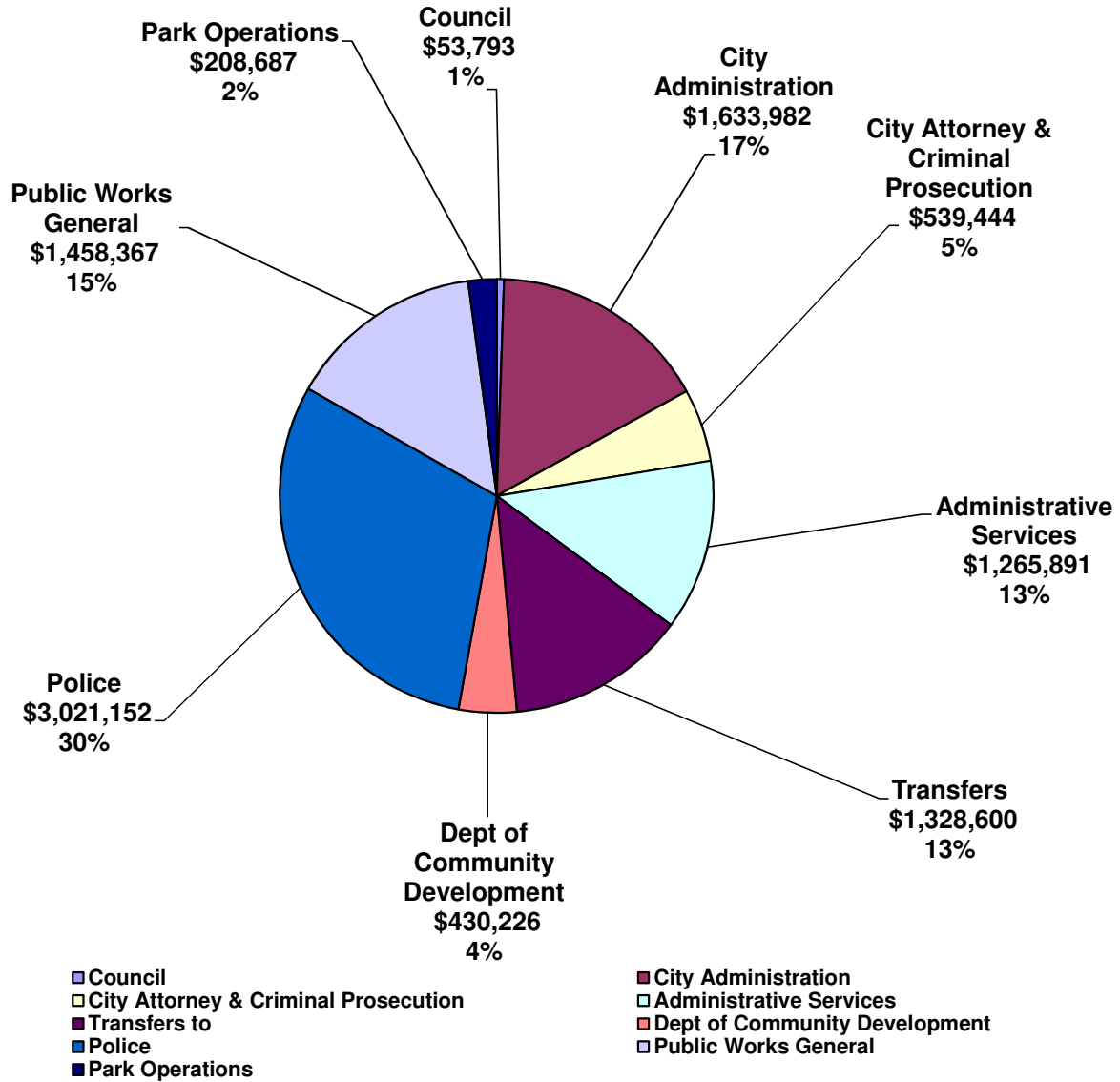
**General Fund Expenses
Total Expenses
9,940,140**



	2014 Actual	2015 Actual	2016 Actuals	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
Beginning Fund Balance	1,868,524	1,820,544	1,811,635	2,155,443	2,151,829	1,899,192	(252,637)	-11.7%
Total Revenues	8,093,504	8,330,908	9,181,650	9,352,228	9,393,018	9,952,215	559,197	6.0%
Salaries & Benefits	5,388,068	5,299,729	5,544,036	5,722,333	5,731,803	6,061,241	329,438	5.7%
Operating Supplies	299,993	332,414	331,547	345,603	384,440	322,189	(62,251)	-16.2%
Charges for Services	1,336,842	1,430,835	1,233,144	1,425,188	1,453,889	1,692,447	238,558	16.4%
Intergovernmental	451,425	432,549	478,956	484,579	490,665	530,662	39,997	8.2%
Capital (Equip > \$7,500)	25,999	29,536	-	9,000	11,501	5,001	(6,500)	-130.0%
NonExp/Transfers	639,208	814,755	1,250,159	1,621,775	1,756,175	1,328,600	(427,575)	-24.3%
Total Expenses	8,141,535	8,339,818	8,837,842	9,608,478	9,828,473	9,940,140	111,667	1.1%
Net Surplus/(Deficit)	(48,032)	(8,910)	343,808	(256,250)	(435,455)	12,075	447,530	-102.8%
Ending Fund Balance	1,820,492	1,811,634	2,155,443	1,899,193	1,716,374	1,911,267	194,893	11.4%

**City of Sequim
2018 Budget**

**Total General Fund Expenses
by Department
9,940,142**

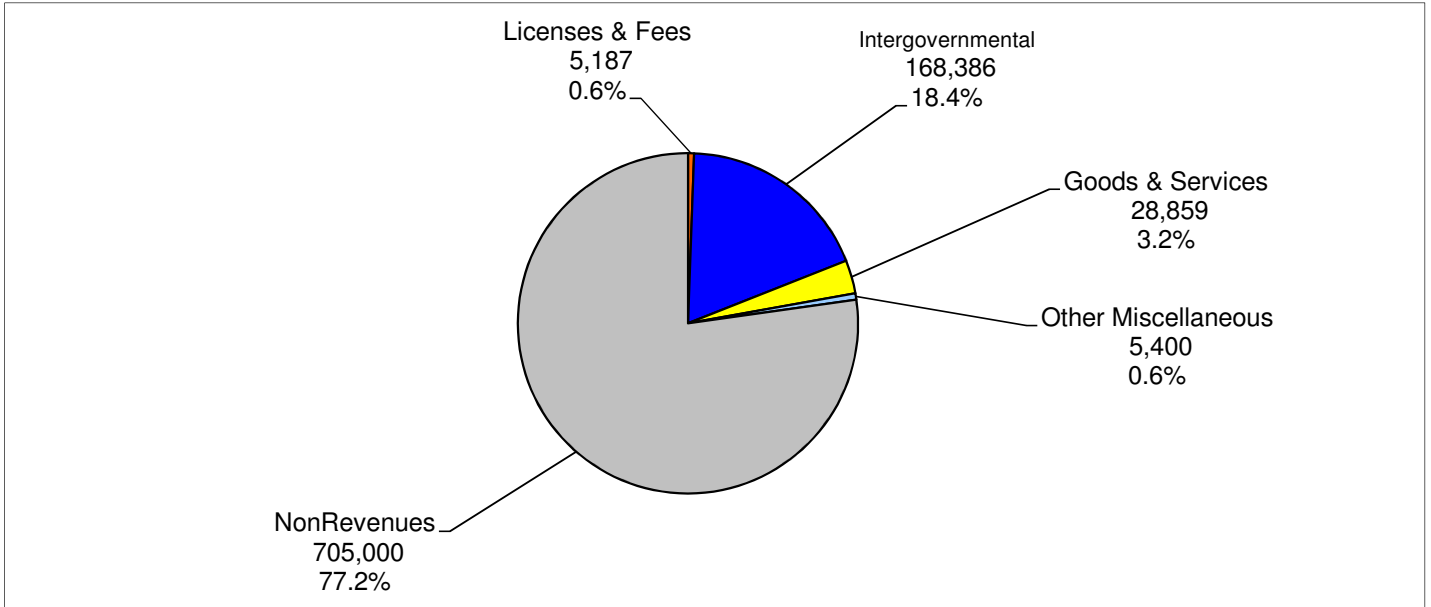


	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	%
General Fund Total Expenses	8,141,536	8,339,818	8,837,807	9,608,478	9,828,474	9,940,142	111,668	1%

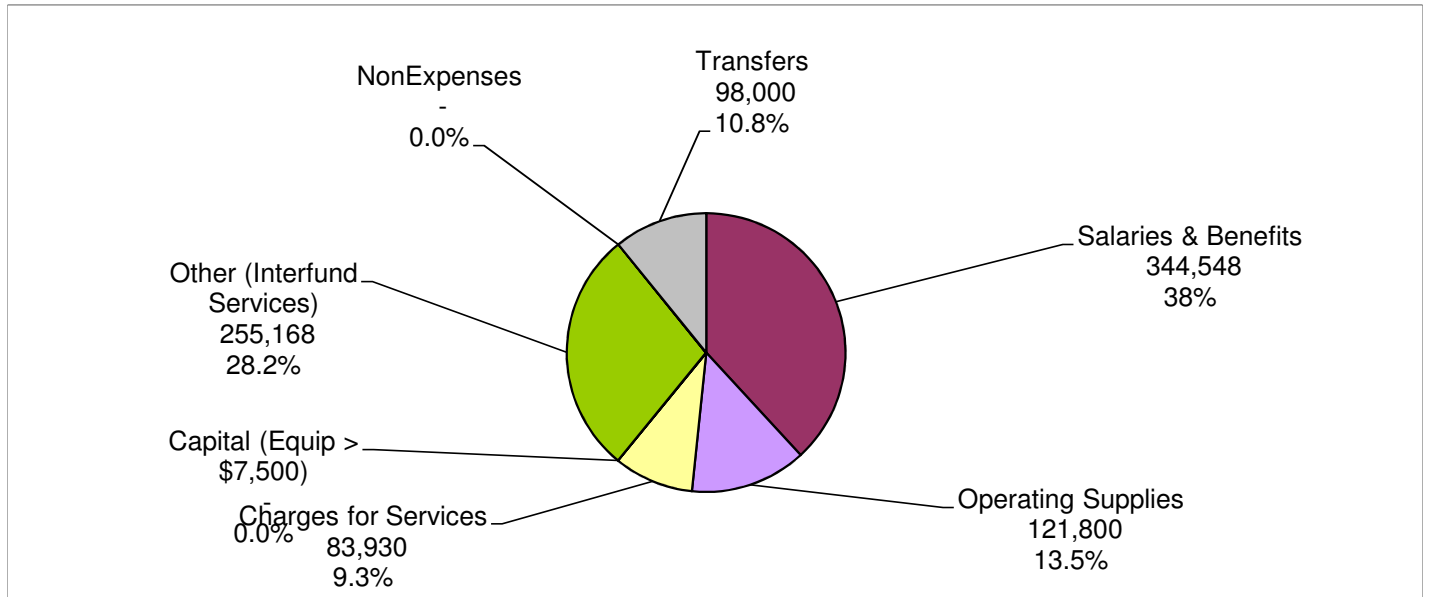
**City of Sequim
2018 Budget**

Street Operating Revenues & Expenses

Total Revenues \$ 912,832



Total Expenses \$ 903,446



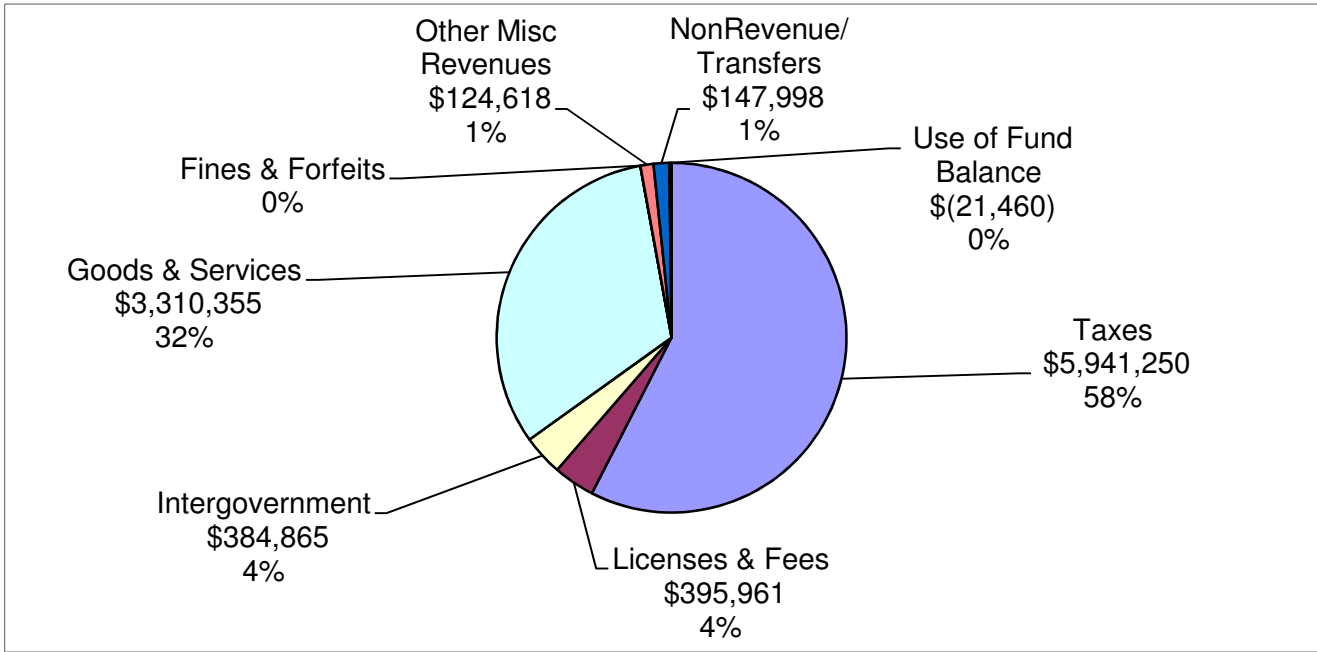
2018 Budget

Beginning Fund Balance	\$	224,935
Total Revenues		912,832
Total Expenses		903,446
Surplus/(Deficit)		9,386
Ending Fund Balance	\$	234,321

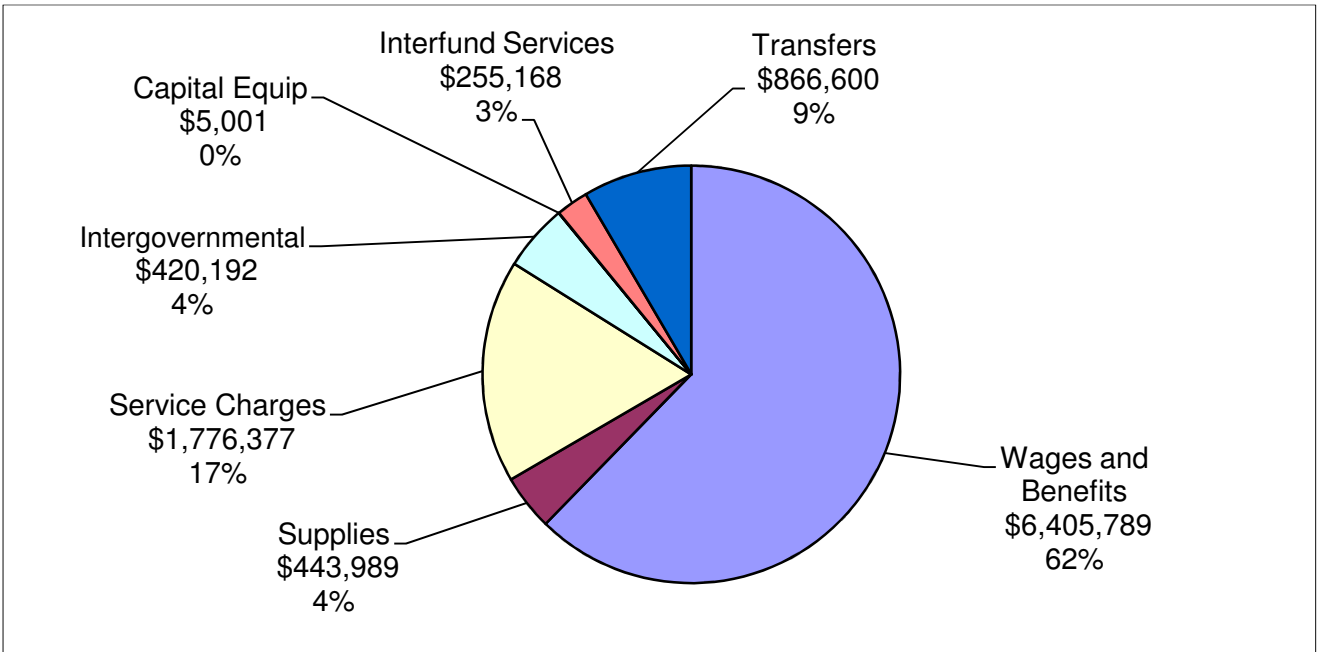
**City of Sequim
2018 Budget**

General Fund & Streets Operating Revenues & Expenses

Total Revenues \$ 10,283,587

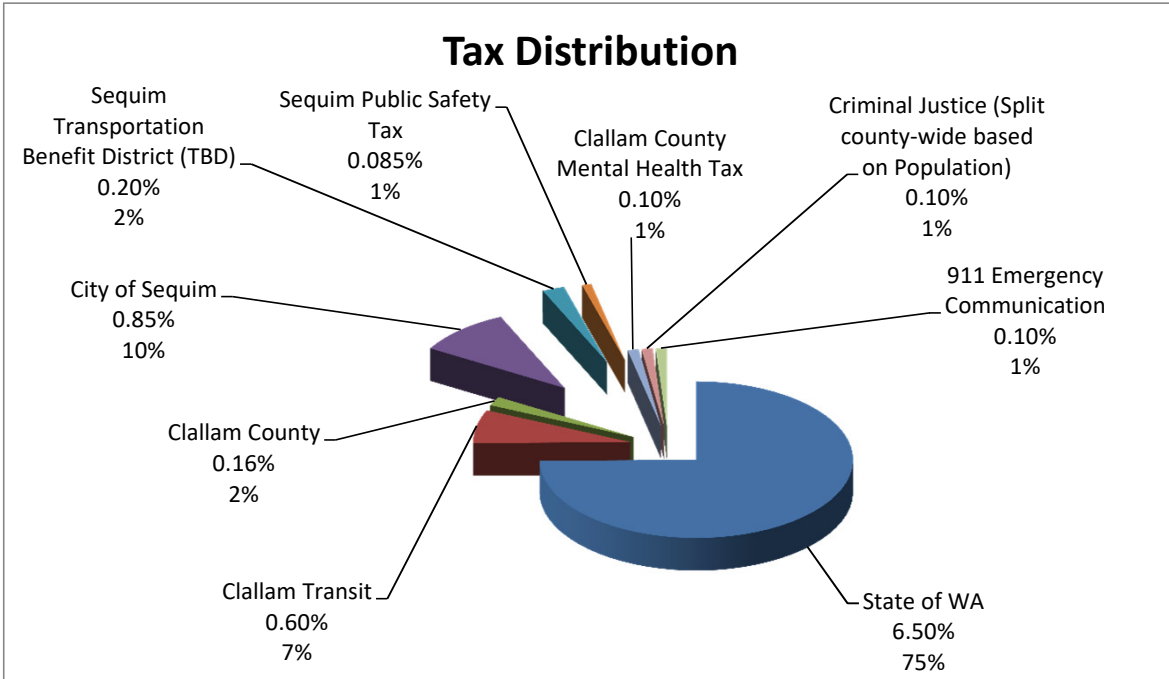


Total Expenses \$ 10,283,586




**CITY OF SEQUIM
2018 Budget**

**8.70% Sales Tax Distribution
Within the City Limits of Sequim**



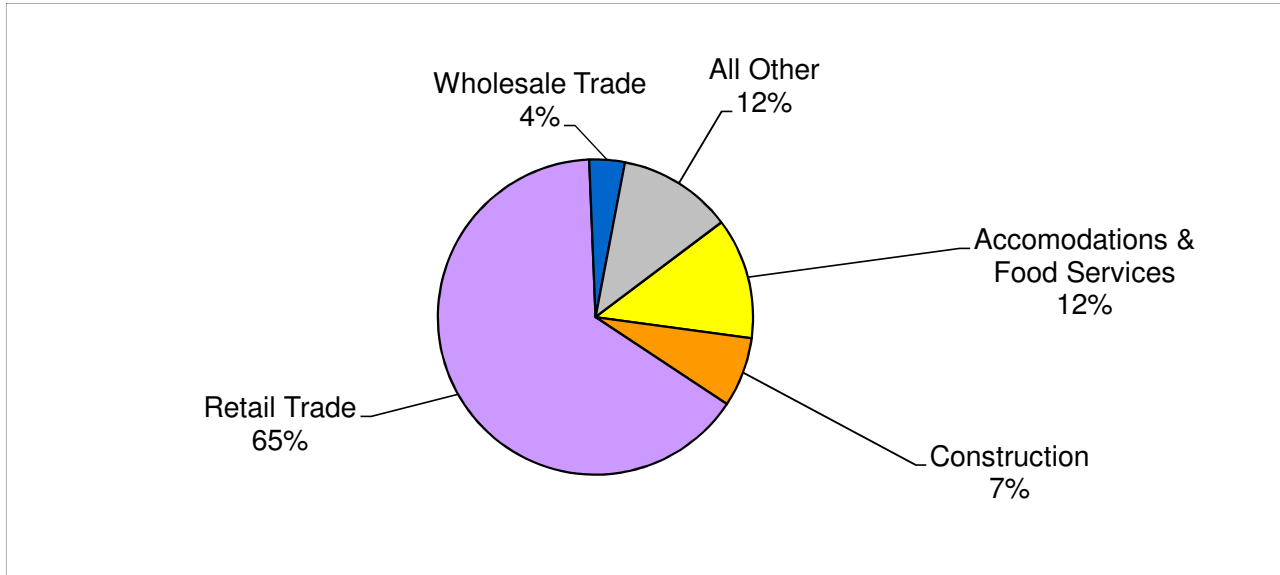
Distribution of Sales Tax Dollars		<i>Estimated</i>	
		<i>Annual Sequim Sales</i>	<i>Tax Revenue Generated</i>
Total Tax %	8.70%	\$329,156,471	\$28,625,092
State of WA	6.50%		21,395,171
Clallam Transit	0.60%		1,974,939
Clallam County	0.16%		531,588
City of Sequim	0.85%		2,797,830
Sequim Transportation Benefit District (TBD)	0.20%		658,313
Sequim Public Safety Tax	0.085%		279,783
Clallam County Mental Health Tax	0.10%		329,156
Criminal Justice (Split county-wide based on Population)	0.10%		329,156
911 Emergency Communication	0.10%		329,156

<u>2018 Example of Sales Tax Collection</u>					
	<i>Sequim Sale</i>	<i>Total Sales Tax</i>	<i>State Share</i>	<i>All Other Share</i>	<i>City Of Sequim Share</i>
	\$1,000	\$87	\$65	\$11	\$11
	\$5,000	\$435	\$325	\$53	\$57
	\$10,000	\$870	\$650	\$106	\$114
	\$25,000	\$2,174	\$1,625	\$265	\$284

The taxable base includes all retail sales of personal property to state residents and some types of professional services. Exclusions are food products consumed off the premises and prescription services drugs. Sales taxes are remitted by the retailers to the WA State Department of Revenue by the 25th of the month following sales (for most taxpayers). The Department of Revenue distributes the local government's share (less administrative fees) on the last day of the month following remittance to the State.

**CITY OF SEQUIM
2018 Budget**

**Annual Sales Tax by Industry
Estimate based on 2017 Forecast**



	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Budget	2018-2017 Amount	%
Accommodations & Food Services	305,573	330,682	365,711	328,796			
Construction	154,637	209,030	182,795	189,793			
Retail Trade	1,516,369	1,619,665	1,748,493	1,721,503			
Wholesale Trade	84,377	79,273	89,809	96,233			
All Other	267,010	274,152	335,966	310,084			
State Adjustments	32,675	59,695	15,580	26,731			
Total	\$ 2,360,641	\$ 2,572,497	\$ 2,738,354	\$ 2,673,141	\$ 2,797,830	\$ 124,689	4.66%

Budget detail
by Industry not
available

Estimated Annual Sequim Sales \$277,722,527 \$ 302,646,706 \$322,159,335 \$314,487,176 \$ 329,156,471

**City of Sequim
2018 Budget
Property Tax**

Clallam County Levy

	2014	2015	2016	2017
Clallam County Total Valuation	\$ 7,002,941,388	\$ 7,054,903,078	\$ 7,318,181,962	\$ 7,697,314,552
Total County Property Tax Levied	\$ 8,863,771	\$ 8,281,675	\$ 8,281,675	\$ 8,642,398
City of Sequim Valuation	\$ 813,614,967	\$ 807,498,734	\$ 835,517,579	\$ 906,086,629
Total Sequim Property Tax Levied	\$ 1,360,360	\$ 1,342,327	\$ 1,371,065	\$ 1,413,614
Distribution per \$1,000 Assessed Value	10.89	10.26	9.81	9.54

Distribution of Sequim Property Tax Dollars

Taxing District	2014			2015			2016			2017		
	Levy Rate per \$1,000 Valuation	Percent of Levy	Cost for a \$200k Home	Levy Rate per \$1,000 Valuation	Percent of Levy	Cost for a \$200k Home	Levy Rate per \$1,000 Valuation	Percent of Levy	Cost for a \$200k Home	Levy Rate per \$1,000 Valuation	Percent of Levy	Cost for a \$200k Home
State	2.402	23%	480	2.309	24%	462	2.097	21%	419	2.093	21%	419
Schools	2.157	21%	431	1.600	16%	320	1.517	15%	303	1.427	15%	285
City of Sequim	1.674	16%	335	1.662	17%	332	1.641	17%	328	1.560	16%	312
County	1.442	14%	288	1.443	15%	289	1.404	14%	281	1.363	14%	273
Fire Dist 3-General	1.426	14%	285	1.438	15%	288	1.393	14%	279	1.336	14%	267
Fire Dist 3-EMS	0.500	5%	100	0.500	5%	100	0.486	5%	97	0.500	5%	100
Hospital	0.595	6%	119	0.601	6%	120	0.587	6%	117	0.568	6%	114
Library	0.500	5%	100	0.500	5%	100	0.491	5%	98	0.500	5%	100
Port	0.200	2%	40	0.202	2%	40	0.199	2%	40	0.191	2%	38
Parks & Rec	-	0%	-	-	0%	-	-	0%	-	-	0%	-
	10.894	106%	2,179	10.256	105%	2,051	9.814	100%	1,963	9.538	97%	1,908

Property Taxes (RCW 84.52)

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied in November on the property value listed as of the prior May 31, and becomes a lien as of January 1. Assessed values are established by the County Assessor at 100% of the fair market value and are adjusted each year by the County Assessor based on market value changes. A physical verification of each property is made at least once every six years and the estimated assessed value is then changed to reflect the physical verification.

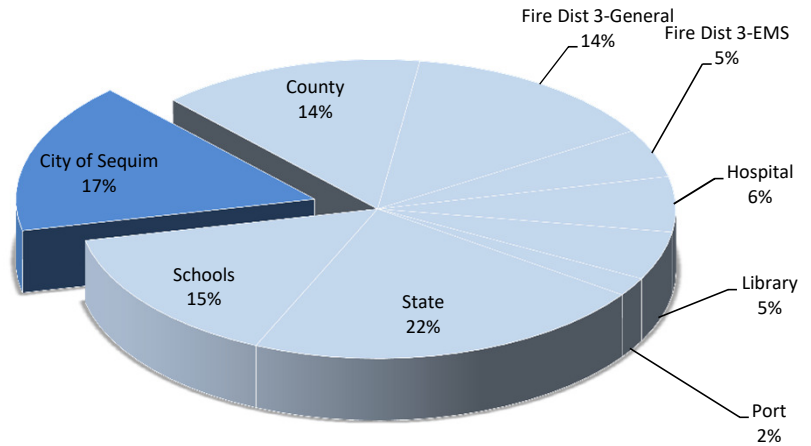
Taxes are due in two equal installments on April 30th and October 31st. Collections are remitted the month following collection to the appropriate taxing district by the County Treasurer.

A City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount does not include voter approved special levies, and may be reduced for any of the following reasons:

- A.** The Washington State Constitution limits the total regular property taxes to 1% of assessed value, of which a city may levy up to \$3.60 per \$1,000 of assessed value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.
- B.** Growth of the regular property tax levy before new construction and annexations is currently limited to 1% for cities with a population of less than 10,000. Prior to 2001, Washington State law (RCW 84.55.010) limited the growth of regular property taxes to 6% per year, before adjustments for new construction and annexations.
- C.** The City may levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations.
- D.** Library Districts (North Olympic Library System) are entitled to \$.50 per \$1,000 of assessed valuation. Fire Districts (Fire District 3-General) are entitled to \$1.50 per \$1,000 of assessed valuation.

The Library and Fire District levies are deducted from the \$3.60 maximum available to cities. Any year in which the Library or the Fire District do not utilize their full levy, a city may assess the unused portion subject to the limitations listed above.

2017 Property Tax Levy



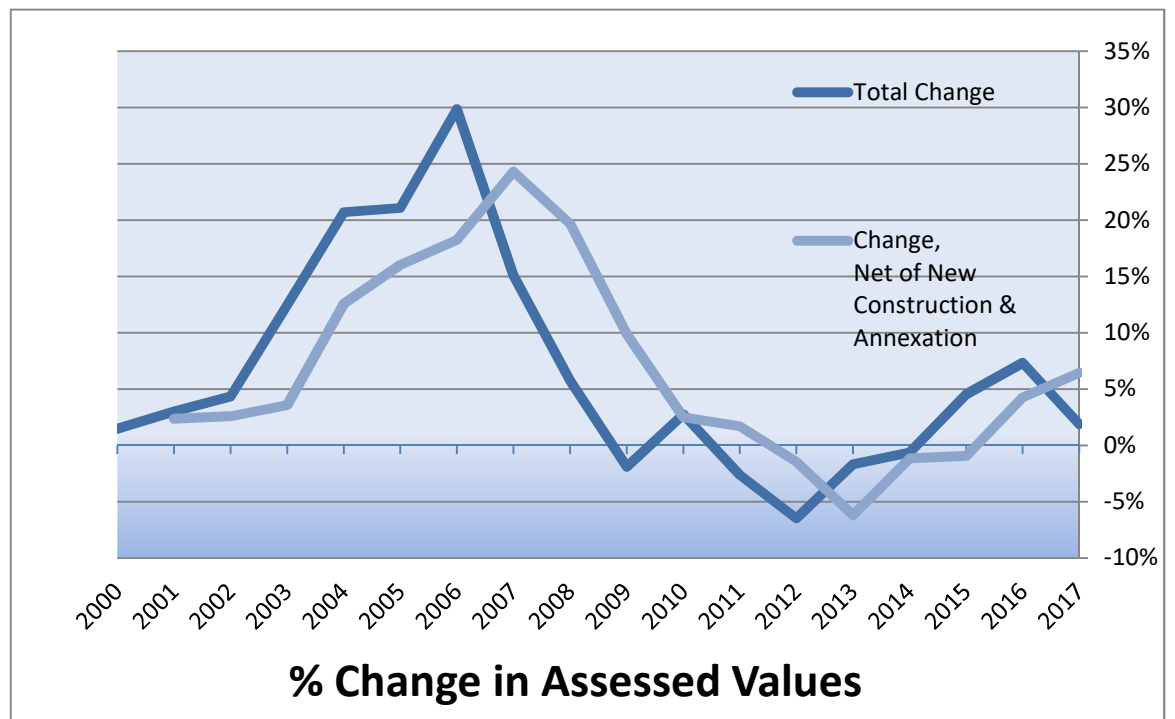
**City of Sequim
2018 Budget**

Property Tax

Assessment Yr.	Collection Yr.	Total Tax Collections	Total Assessed Valuation (incl. New Construction & Annexation)	New Construction	Annexation	Total Change	Change, Net of New Construction & Annexation
2017	2018 est	1,452,749	923,086,629	17,000,000	-	1.88%	1.87%
2016	2017	1,413,614	906,086,629	16,658,560	-	7.33%	6.45%
2015	2016	1,379,800	844,245,082	8,524,443	201,044	4.55%	4.26%
2014	2015	1,354,031	807,498,734	6,118,573	-	-0.63%	-0.92%
2013	2014	1,359,320	812,601,422	3,760,106	-	-1.66%	-1.16%
2012	2013	1,342,846	826,359,277	8,030,406	-	-6.48%	-6.20%
2011	2012	1,338,578	883,664,857	11,284,939	-	-2.60%	-1.45%
2010	2011	1,385,322	907,241,564	20,457,733	1,585,754	2.75%	1.69%
2009	2010	1,233,066	882,919,973	11,496,585	970,739	-1.91%	2.51%
2008	2009	1,160,061	900,145,266	46,458,065	4,529,465	5.75%	9.89%
2007	2008	1,096,381	851,183,997	66,253,363	12,228,125	15.07%	19.70%
2006	2007	1,039,810	739,682,945	84,711,905	9,418,060	29.85%	24.32%
2005	2006	876,384	569,637,795	48,311,540	2,050,930	21.07%	18.24%
2004	2005	793,783	470,495,733	29,855,770	1,475,195	20.70%	16.03%
2003	2004	774,707	389,806,532	11,312,760	-	12.48%	12.59%
2002	2003		346,554,900	8,022,745	2,358,590	4.36%	3.58%
2001	2002		332,077,932	7,521,730	-	3.03%	2.59%
2000	2001		322,322,567	5,324,205	636,155	1.48%	2.36%
1999	2000		317,636,346	8,142,335	422,570		

Property Tax

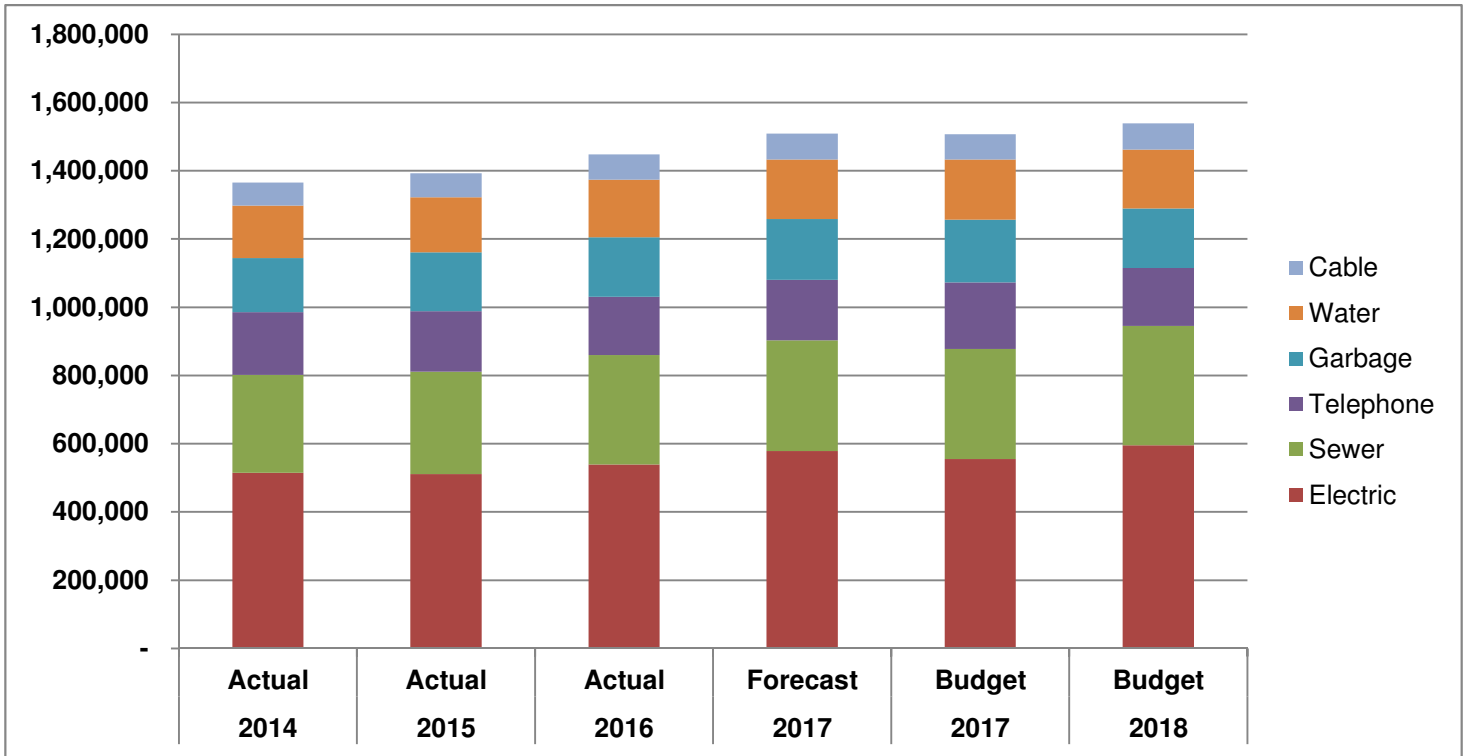
The statutory maximum increase of the tax levy without voter approval is 1% *plus* the taxable value of new construction and improvements, annexations and increases in State of Washington assessed utility values.





**CITY OF SEQUIM
2018 Budget**

**Public Utility Tax
by Public Utility**



Tax Rate*	Public Utility	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2017 Budget	2018 Budget	2018-2017 Amount	2018-2017 %
6%	Electric	514,785	511,018	539,479	578,220	555,484	595,623	40,139	7%
8%	Sewer	286,766	300,084	320,200	325,221	322,639	349,377	26,738	8%
6%	Telephone	183,703	177,369	170,562	176,519	194,609	169,609	(25,000)	-13%
8%	Garbage	159,005	172,768	175,041	178,793	184,179	174,813	(9,366)	-5%
8%	Water	153,749	160,719	168,373	174,652	175,759	173,000	(2,759)	-2%
5%	Cable	67,182	70,289	74,526	75,774	74,534	76,561	2,027	3%
	Total	\$ 1,365,190	\$ 1,392,246	\$ 1,448,181	\$ 1,509,179	\$ 1,507,204	\$ 1,538,983	\$ 31,779	2%

*The tax rate is imposed upon the public utility's gross receipts.



City Of Sequim Department Description

Municipal Debt Capacity & Type of Debt

General Obligation Debt¹

According to Washington State law, voters may approve general obligation debt issues of up to 7.5% of the City's assessed valuation. This 7.5% debt capacity is allocated evenly between general government purposes, utilities and open space, park facilities & capital facilities associated with economic development, resulting in a 2.5% limit for each. All voted bonds require a 60% majority approval. To validate the election, the total votes cast must equal at least 40% of the total votes cast in the last general election.

Under RCW 39.36.020(2), the public may vote to approve **Unlimited Tax General Obligation (UTGO)** bond issues for general government in an amount not to exceed 2.5% of the assessed valuation. UTGO Bonds represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a thirty-year period. Within the 2.5% limit, the City Council may approve **Limited Tax General Obligation (LTGO)** bond issues (also called Councilmanic Bonds) not to exceed 1.5% of the City's assessed valuation. LTGO Bonds can be issued with approval of the City Council. The 1.5% can be used for any municipal purpose, including using the entire amount for bonds. This non-voted debt is repaid from general revenues of the City.

Under RCW 39.36.020(4), the public may vote to approve **Parks, Open Space and Capital Facilities associated with Economic Development** bond issues and **Utility Purpose** bond issues. Each of which is also limited to 2.5% of the City's assessed valuation.

Although the City can legally issue up to 7.5% of its assessed valuation, bond-rating agencies have a lower threshold for an acceptable debt load. Bond rating agencies use several criteria for determining the level of debt a city can maintain. The two most important are debt as a percent of assessed valuation and debt per capita. As a general rule, debt in excess of 4.5% of assessed valuation is viewed as a cause for concern.

Other Long Term Debt

Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City and are generally payable from the revenues of the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation and voter approval is not required.

Public Works Trust Fund loans and State Revolving Fund loans are low interest and/or interest-free loans granted to Washington cities based on a competitive and comprehensive loan application process. Those cities scoring highest in the State's evaluation process receive the favorable loans. The more significant qualifying criteria require cities to, among other things:

- Have rate study's supporting fee adoption
- Adopt a Comprehensive Plan and long term plan for financing public works needs
- Demonstrate a history of maintaining the city's utility system
- Demonstrate ability to complete the proposed project
- Demonstrate financial health and ability to repay the loan
- Have the technical and managerial capacity

The City accepts the concept that utility infrastructure users change over the useful life of those assets and fairness requires that the cost of that infrastructure be spread to those who will use it over time. Long term financing is often more equitable than using currently available funds because the users/beneficiaries/ratepayers of the system pay for the related debt. This "pay-as-you-use" concept also takes into account the negative carry costs of cash funding. Finally, our City Council will determine what is best for the community, with available and limited resources.²

¹ RCW 39.36 – Public Contract & Indebtedness – Limitation of Indebtedness of taxing districts

² MRSC Financing Public Infrastructure: Generational Equity and Municipal Debt

City Of Sequim Budget Overview

Debt Management

Compliance, tracking, funding our future...

2018 Debt Summary

2018 Key Goal

- ❖ Manage the City's Municipal Debt and protect the City's credit rating (AA- for LTGO and A+ for Revenue Bonds)
 - Conservatively manage funding sources
 - Make timely debt payments
 - Prepare timely and accurate financial information that demonstrates compliance with a myriad of financial policies for Council and Rating Agencies

2018 Budget

- ❖ \$10.68ml in LTGO debt was issued in August 2013 for the Civic Center project with total debt service in 2018 of \$660k
 - Funded with \$335k General Fund, \$255k from the Public Safety Tax, and \$75k from REET
- ❖ Current Utility Debt payments continue as in prior years and are funded by Utility Rates. 2018 begins the year with the following outstanding debt:
 - Water and sewer revenue bonds totaling approximately \$2.8m to fund the utility portion of the Civic Center project, and related debt service of \$115k per utility
 - State Revolving Funds - \$5ml in outstanding principal
 - Public Works Trust Fund - \$520k in outstanding principal

General Obligation Debt

2013 Limited Tax General Obligation (LTGO) Bond – Civic Center Project

In 2013, the City issued \$10.68m in LTGO debt to provide funds for a portion of the City's Civic Center Project as well as to pay the costs of issuance and sale of the bonds (\$241k). Payment on the \$10.68m 30 year bond at 4.53% began in 2014, with interest only payments required in the first year and a half. Payments thereafter are \$660k annually. The bond matures in December 2043.

2009 LTGO Bond - Keeler Property Acquisition

In 2008, the City entered into an agreement to purchase park lands known as Keeler Park. In 2009, the City issued \$675k in debt to finance the purchase. The 10 year debt at 3.95% interest began repayment in June 2009 and the final payment was scheduled for December 2019. In June 2010, Ducks Unlimited contributed a \$200k North American Wetlands Conservation Act Grant to the City to put towards the purchase of the property, a habitat protected for birds, elk, and deer. The grant proceeds were used to pay down the 2009 debt. The final payment of the debt was paid in December 2016.

Compensated Absences

The City is obligated to pay accrued vacation and sick-leave to its employees in accordance with union contracts and internal personnel policies. Although Compensated Absences are not payable to employees on a particular schedule, like loans and bonds, they can become a sizable liability to agencies. Rating agencies exclude this particular obligation when calculating debt capacity.

City Of Sequim Budget Overview

Utility Debt

1998 WA State Revolving Fund (SRF) Loan – Sewer Reclaimed Water Facility

The City received a \$5.324 million loan from the Washington Water Pollution Control – State Revolving Fund (SRF) Loan. This award was used to assist in the construction of a new “Class A” sewer reclamation facility at the City’s sewer treatment plant and to extend the sewer outfall if grant funds were insufficient. Repayment commenced March 1, 1999 and continues at 0% interest, but interest is subject to change. Final payment is scheduled for March 2018.

2009 WA State Revolving Fund (SRF) Loan – Sewer Water Reclamation Facility Upgrade & Expansion

The City received a \$5.540 million loan from the Centennial Clean Water Program, Washington State Water Pollution Control Revolving Fund, WA State Department of Ecology. This award was used for the upgrade and expansion of a Water Pollution Control Facility. Repayment commenced on January 2011 at 2.1% interest. Final payment is scheduled for January 2030.

2013 WA State Public Works Trust Fund Loan (PWTF) for Aerobic Digester Upgrade

City Council approved a loan of \$520k with an interest rate of 1% for a project to upgrade the current digesters and aeration system to allow greater control by the operators as well as improve energy efficiency. The City collected the remaining \$450k of the proceeds in 2016, as the project deadline for completion is December 2016. Ten annual payments of principal and interest on the loan balance commence one year after completion of the project.

2015 Water and Sewer Revenue Bonds

In 2014, Council approved a revenue bond proposal to fund the utility portion of the Civic Center project. Total proceeds were \$3.3m. Debt service for each of the utilities does not exceed \$115k per year, per utility. This obligation is reflected in the budget (the 411 Water Restricted and 422 Sewer Restricted funds).

2016 WA State Revolving Fund Loans – For Water Pollution Control and Safe Drinking Water

In 2016, Council authorized the City Manager to enter into 5 separate loan agreements as the actual loan documents become available. These loans are repayable with utility revenues.

Water Pollution Control Revolving Fund (CWSRF) loans include: \$178,050 for Aerobic Digester Capacity Upgrades (PE) with a 20 year term, 2.0% interest and \$89,025 in forgivable principal, \$513,800 for Sunnyside Sanitary Sewer Improvement, with a 20 year term, 1.8% interest and \$25,037 in forgivable principal, \$589,000 for Doe Run Lift Station Improvements, with a 20 year term, 1.8% interest and \$41,070 in forgivable principal.

Drinking Water State Revolving Fund (DWSRF) loans include \$732,099 for 5th and McCurdy Booster Station Improvements, with a 20 year term and a 1.0% interest rate, \$641,249 for Sunnyside Water Main Replacement with a 20 year term and a 1.0% interest rate.

The amount of outstanding principal reflected on the next schedule is consistent with the CIP’s prediction of progress on these projects and are only estimations.

2018 Water and Sewer Loans - Other

In 2013, Water and Sewer Capital Improvement Plans were adopted by Council and a Utility Rate Study was accepted. In 2017, the Capital Improvement Program (CIP) was updated and adopted. The plans/programs identified capital projects required to maintain the systems as well as meet the demands of growth in the area. The Rate Study provided information on revenue requirements of both enterprise funds over a 20 year period. Staff analyzed various alternative financial strategies and determined that a combination of rate increases and new debt in both water and sewer funds would be required to maintain satisfactory cash flow and reserves. The rate study is updated on a regular basis as well as the CIP. New debt will depend upon the capital projects the City is capable of initiating and managing.

**City of Sequim
2018 Budget**

Debt Capacity

Based on Prior Year Assessed Value

<i>Amount at End of Year</i>	<u>2014</u> <u>Actuals</u>	<u>2015</u> <u>Actuals</u>	<u>2016</u> <u>Actuals</u>	<u>2017</u> <u>Forecast</u>	<u>2018</u> <u>Budget</u>
Prior Year Assessed Property Value	812,601,422	807,498,734	835,517,579	906,086,629	923,000,000 <small>2018 estimated, with new construction</small>
General Purpose Debt Limit					
NonVoted Debt Limit 1.5% (councilmanic)	12,189,021	12,112,481	12,532,764	13,591,299	13,845,000
Voted Debt Limit 1.0%	8,126,014	8,074,987	8,355,176	9,060,866	9,230,000
Debt Limit 2.5%	20,315,036	20,187,468	20,887,939	22,652,166	23,075,000
Utility Purpose Debt Limit					
Voted Debt Limit 2.5%	20,315,036	20,187,468	20,887,939	22,652,166	23,075,000
Open Space, Park & Capital Facilities Debt Limit					
Voted Debt Limit 2.5%	20,315,036	20,187,468	20,887,939	22,652,166	23,075,000
Total General Obligation Debt Capacity	60,945,107	60,562,405	62,663,818	67,956,497	69,225,000
NonVoted General Obligation Debt Outstanding					
City Hall/Police Facility LTGO	10,680,000	10,455,000	10,230,000	10,000,000	9,765,000
Keeler Park Note/Bond	133,038	55,243	-	-	-
◆ NonVoted GO Debt Outstanding	10,813,038	10,510,243	10,230,000	10,000,000	9,765,000
NonVoted Debt Capacity	1,375,983	1,602,238	2,302,764	3,591,299	4,080,000
Voted Debt Capacity	48,756,085	48,449,924	50,131,055	54,365,198	55,380,000
Available GO Debt Capacity	50,132,069	50,052,162	52,433,818	57,956,497	59,460,000
GO Debt as % of Assessed Value	1.33%	1.30%	1.22%	1.10%	1.06%
Industry Standard not to exceed 4.5%					41,535,000
GO Debt per Capita	1,566	1,520	1,446	1,374	1,302
Population	6,905	6,915	7,075	7,280	7,498
				OFM est for 2017	est based upon 3% growth

Revenue Debt Outstanding (excluded from General Purpose Debt limits)

<i>Amount Outstanding at End of Year</i>	<u>2014</u> <u>Actuals</u>	<u>2015</u> <u>Actuals</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Forecast</u>	<u>2018</u> <u>Budget</u>
SRF 2010: DOE State Revolving Fund	4,697,353	4,438,201	4,173,555	3,903,297	3,703,369
SRF 1997: DOE State Revolving Fund	955,590	682,564	409,538	136,513	-
PWTF 2013: Aerobic Digester Loan	70,067	84,510	520,000	520,000	520,000
2014 Water & Sewer Revenue Bond	3,145,000	3,025,000	2,910,000	2,790,000	2,670,000
CWSRF Headworks Project \$720k			-	650,846	491,533
CWSRF Aerobic Digester Capacity					178,050
CWSRF Sunnyside Sewer \$513k					513,800
CWSRF Doe Run Lift Station					589,000
DWSRF 028 5th & McCurdy Booster Station (\$732k)				75,050	732,099
DWSRF 036 Sunnyside Water Main \$641k				29,796	641,249
Revenue Debt Outstanding	8,868,010	8,230,275	8,013,094	8,105,502	10,039,100

¹ Estimated use of loan proceeds based upon Capital Improvement Plan

Per amortization Schedule Principal outstanding (cash basis: interest not recorded until due)

**City of Sequim
2018 Budget**

Debt Capacity

