

City of Sequim 2020 Budget

All City and General Fund Overview



City of Sequim Budget Overview

Budget Development Process

Policy Strategy Phase

Council Planning

6 Year Long Range Financial Plan

6 Year Capital Improvement Plan

Public Input via Council Meetings & Community Survey (The People's Project)

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

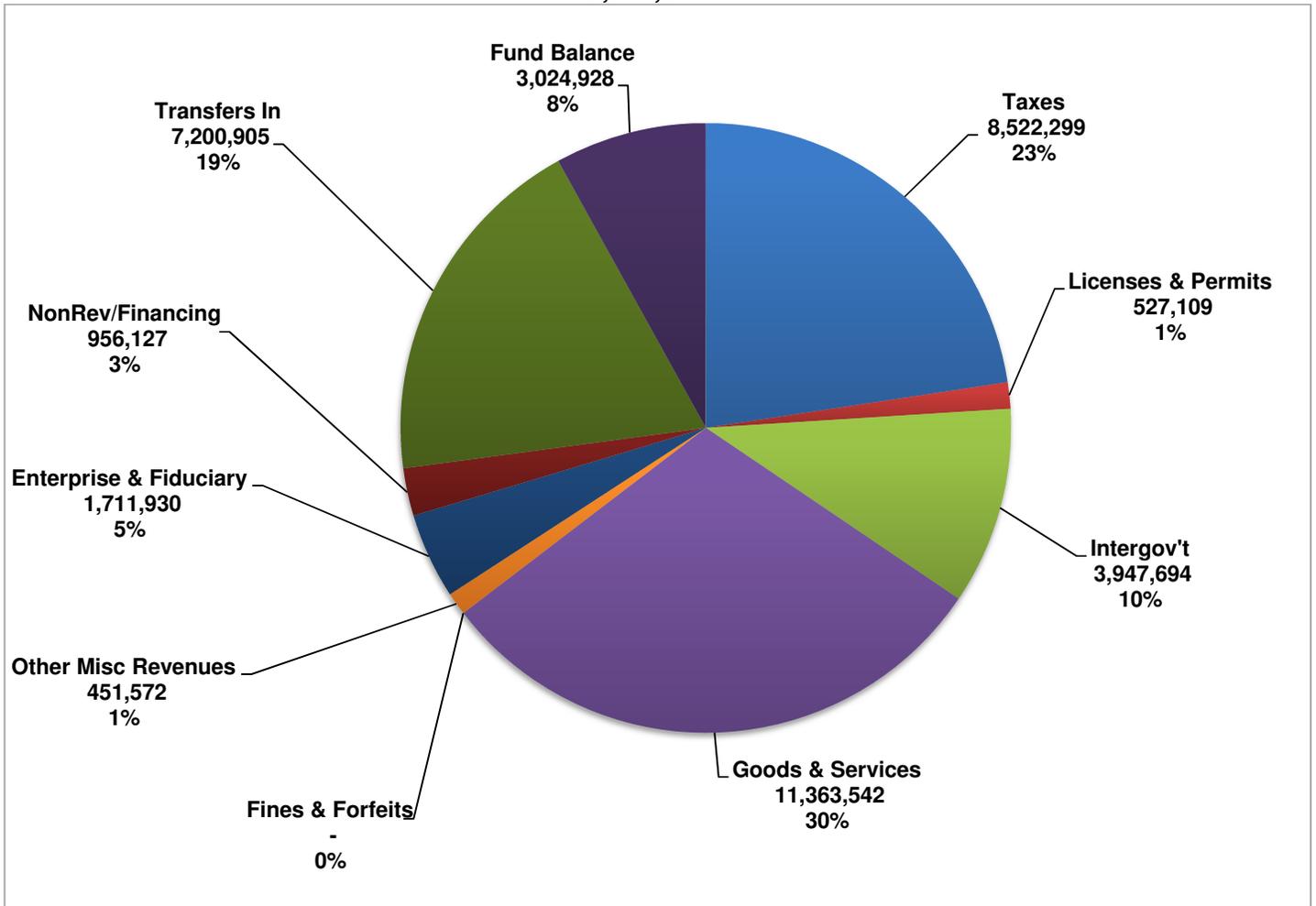
Council Adopts Budget

**EXHIBIT A
City of Sequim
2020 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	1,959,281	11,320,241	11,298,848	21,393	1,980,674	Ops
Special Revenue Funds						
101 Street UnRestricted	369,970	926,181	926,006	175	370,145	Ops
111 Street Restricted	1,153,966	6,803,080	7,322,569	(519,489)	634,477	R
107 StormWater UnRestricted	116,477	160,475	135,146	25,329	141,806	Ops
117 StormWater Restricted	472,555	302,007	380,792	(78,785)	393,770	R
115 Lodging Tax Hotel/Motel	580,583	412,000	447,472	(35,472)	545,111	R
120 Police Restricted	186,441	403,682	489,538	(85,856)	100,585	R
121 Police Asset Seizure	40,260	20,274	30,000	(9,726)	30,534	R
140 Parks Restricted	922,949	409,358	409,738	(380)	922,569	R
150 Real Estate Excise Tax	338,678	505,450	839,500	(334,050)	4,628	R
160 Arts & Culture-Arts Commission Progr	12,227	45,500	44,884	616	12,843	R
164 Equipment Reserve	953,424	464,100	406,200	57,900	1,011,324	R
199 Rainy Day	1,605,946	6,000	0	6,000	1,611,946	R
Debt Service Funds						
206 Debt Service Fund	243,289	695,000	660,426	34,574	277,863	R
Capital Funds						
306 Capital Facilities Fund	263,281	1,176,205	1,170,522	5,683	268,964	R
Enterprise Funds						
401 Water UnRestricted	1,038,682	2,478,687	2,450,183	28,504	1,067,186	Ops
402 Sewer UnRestricted	1,871,811	4,659,136	4,653,935	5,201	1,877,012	Ops
411 Water Restricted	3,342,687	1,426,500	2,072,722	(646,222)	2,696,465	R
422 Sewer Restricted	5,945,772	2,158,235	3,636,297	(1,478,062)	4,467,710	R
Trust, Agency & Permanent Funds						
500 Unemployment Compensation Reserve	57,316	65,000	98,000	(33,000)	24,316	R
611 Flex Benefits	5,293	45,000	45,000	0	5,293	R
621 Police Expendable Trust	0	20,000	20,000	0	0	R
631 Construction Deposits	106,965	0	0	0	106,965	R
635 Intergovernmental Agency Fund	14,174	178,627	168,328	10,299	24,473	R
645 Utility Security Deposits	2,176	0	0	0	2,176	R
701 Haller Park Fund	40,405	440	0	440	40,845	R
	21,644,608	34,681,178	37,706,106	(3,024,928)	18,619,680	
		7,200,905	7,200,905	Transfers In / Out		
		27,480,273	30,505,201	Net of Transfers		
		3,400,000	3,737,585	InterFund Service Charges*		
		24,080,273	26,767,616	Net Revenues/Expenses w/o Transfers & Interfund Services		
		19,544,720	19,464,118	Operating Funds		Ops
		15,136,458	18,241,988	Restricted/Project Funds		R
		34,681,178	37,706,106			

**City of Sequim
2020 Budget**

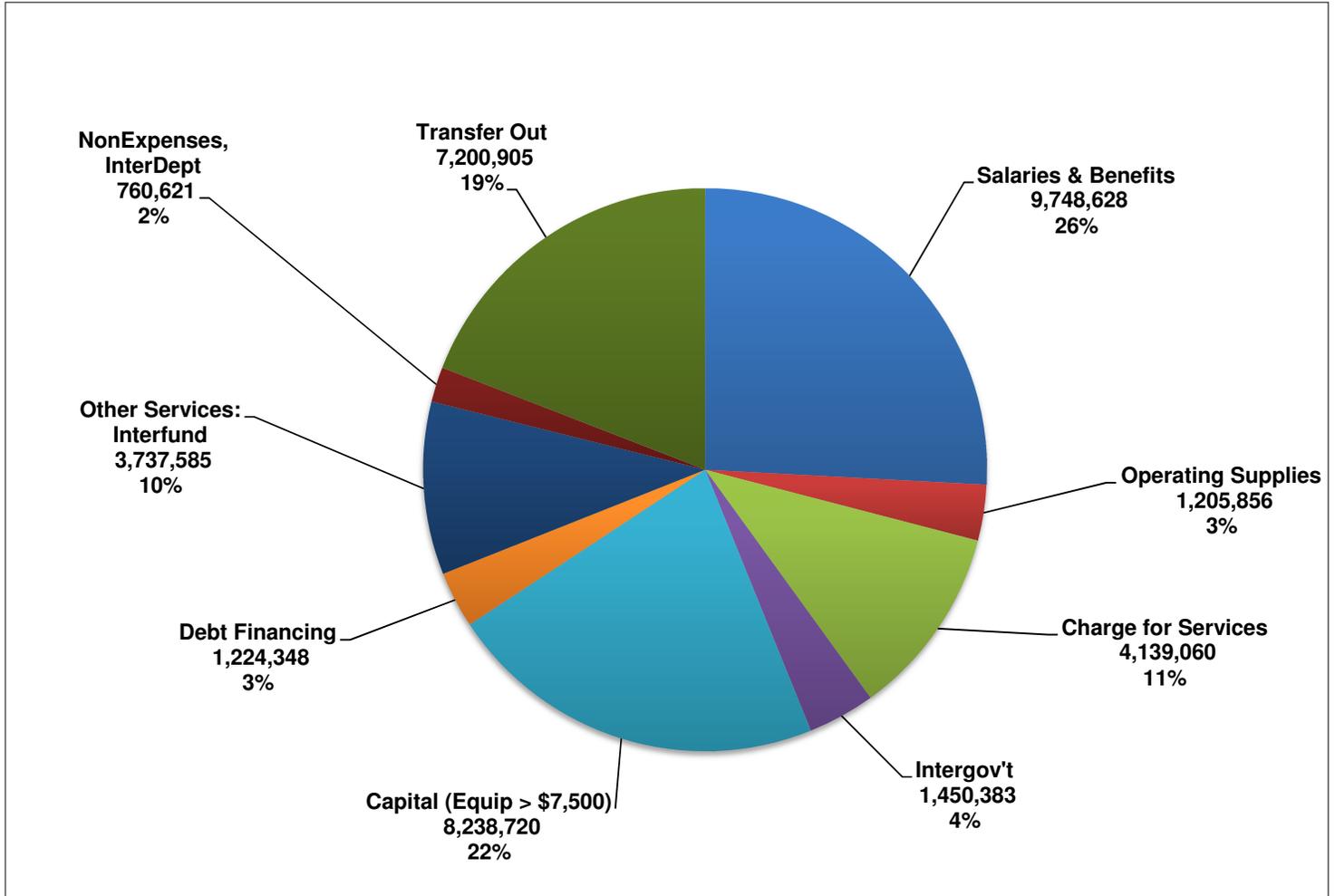
**Where Will the Money Come From?
Total Revenue / Resources
37,706,106**



	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
Taxes	6,685,600	7,213,627	8,656,002	8,010,052	7,871,414	8,522,299	650,885	8.3%
Licenses & Permits	310,333	501,374	559,792	411,110	370,901	527,109	156,208	42.1%
Intergov't	640,502	935,068	893,032	4,633,623	3,060,339	3,947,694	887,355	29.0%
Goods & Services	9,588,642	10,806,191	10,381,034	10,657,283	10,517,827	11,363,542	845,715	8.0%
Fines & Forfeits	4,931	526	1,273	452	-	-	-	0.0%
Other Misc Revenues	564,313	537,598	471,089	617,484	599,722	451,572	(148,150)	-24.7%
Enterprise & Fiduciary	1,222,483	1,860,538	2,345,613	1,460,706	1,148,600	1,711,930	563,330	49.0%
NonRev/Financing	1,304,948	1,110,361	981,442	1,179,430	654,208	956,127	301,919	46.2%
Net Revenues	20,321,752	22,965,283	24,289,277	26,970,140	24,223,011	27,480,273	3,257,262	13.4%
Transfers In	5,378,960	5,121,422	6,018,086	9,325,306	8,295,305	7,200,905	(1,094,400)	-13.2%
Revenues	25,700,712	28,086,705	30,307,363	36,295,446	32,518,316	34,681,178	2,162,862	6.7%
Use of Beginning Fund Balance	(1,928,487)	(2,650,868)	(3,509,746)	2,162,257	5,339,707	3,024,928	(2,314,779)	-43.4%
Total Use of Revenue	23,772,225	25,435,837	26,797,617	38,457,703	37,858,023	37,706,106	(151,917)	-0.4%

**City of Sequim
2019 Budget**

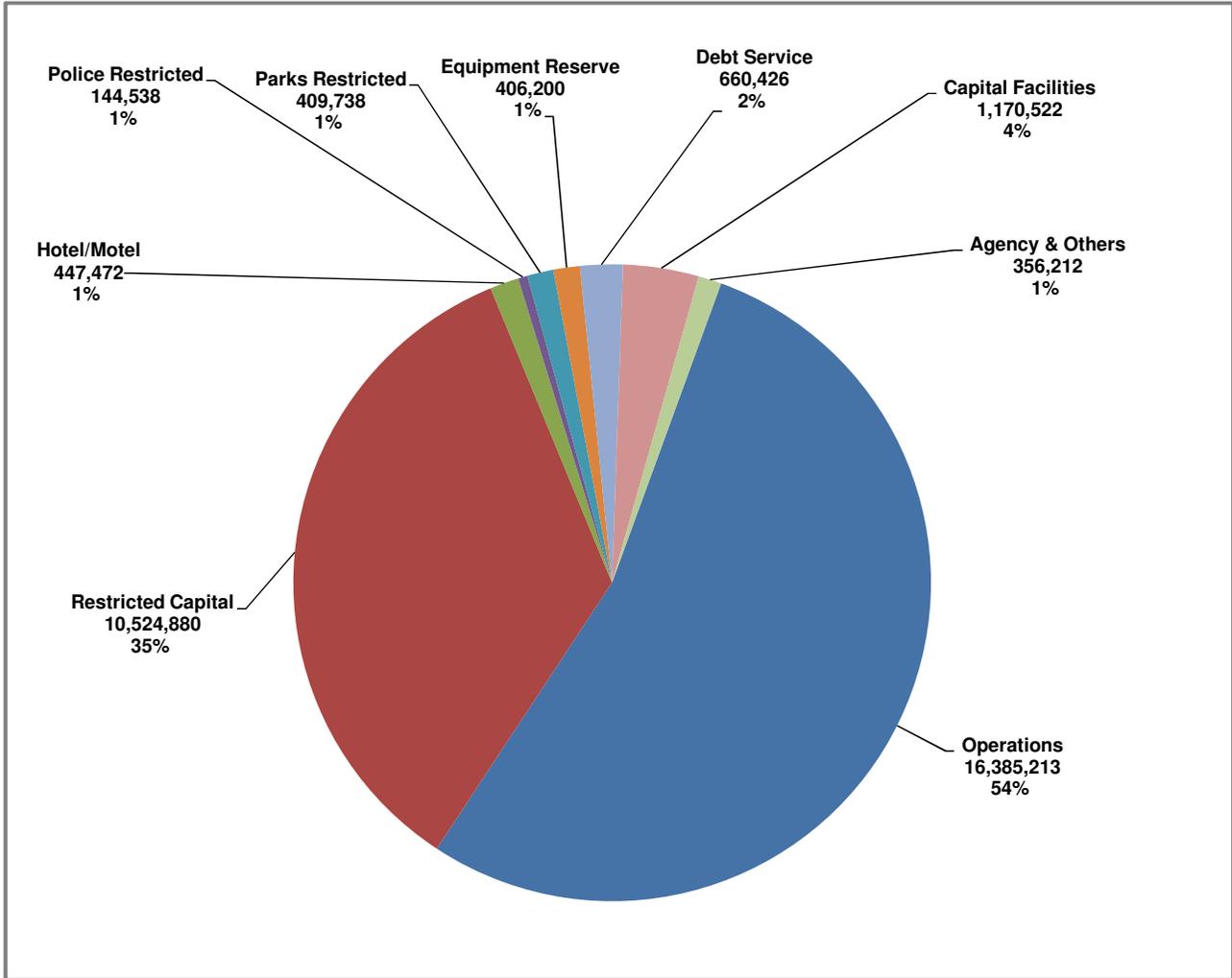
**Where Will the Money Go?
Total Expenses
37,706,106**



	2016 Actuals	2017 Actuals	2018 Actuals	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
Salaries & Benefits	7,511,626	7,642,497	7,921,014	8,905,561	9,024,406	9,748,628	724,222	8.0%
Operating Supplies	885,194	905,841	978,375	957,073	936,582	1,205,856	269,274	28.8%
Charge for Services	2,340,136	2,985,633	3,846,616	3,553,021	3,459,857	4,139,060	679,203	19.6%
Intergov't	1,173,710	1,160,371	1,270,294	1,348,342	1,408,470	1,450,383	41,913	3.0%
Capital (Equip > \$7,500)	2,408,397	3,183,217	2,091,705	5,470,985	6,018,155	8,238,720	2,220,565	36.9%
Debt Financing	1,570,616	1,608,416	1,557,893	4,866,747	4,818,435	1,224,348	(3,594,087)	-74.6%
Other Services: Interfund	2,421,773	2,682,906	2,949,084	3,414,956	3,441,191	3,737,585	296,394	8.6%
NonExpenses, InterDept	81,814	145,534	164,551	565,716	455,621	760,621	305,000	66.9%
Net Expenses	18,393,266	20,314,415	20,779,532	29,082,401	29,562,717	30,505,201	942,484	3.2%
Transfer Out	5,378,960	5,121,422	6,018,086	9,375,302	8,295,305	7,200,905	(1,094,400)	-13.2%
Total Expenses	23,772,226	25,435,837	26,797,618	38,457,703	37,858,022	37,706,106	(151,916)	-0.4%

**City of Sequim
2020 Budget**

**Total All City Programs Expenses - Excluding Transfers
Operations and Capital Projects
30,505,201**



	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
All City								
Total Expenses	18,393,266	20,314,415	20,779,533	29,082,401	29,562,717	30,505,201	942,484	3%

**City of Sequim
2020 Budget**

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

	2016 ABtual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
All City Program								
Total Expenses	18,393,266	20,314,415	20,779,533	29,082,401	29,562,717	30,505,201	942,484	3.2%
Operations								
General Fund	7,589,168	7,965,729	8,397,105	9,016,068	9,172,841	9,847,248	674,407	7.4%
Street Ops	794,177	784,277	742,371	830,479	793,388	787,006	(6,382)	-0.8%
Stormwater Ops	107,676	221,117	152,880	113,873	117,983	135,146	17,163	14.5%
Water Ops	1,518,421	1,568,928	1,581,874	1,678,486	1,684,845	1,792,383	107,538	6.4%
Sewer Ops	3,155,723	2,910,943	3,257,078	3,582,847	3,602,313	3,823,430	221,117	6.1%
Total Operations	13,165,165	13,450,994	14,131,308	15,221,753	15,371,370	16,385,213	1,013,843	6.6%
Capital Restricted								
Streets	537,228	1,333,899	1,731,746	2,800,519	2,964,401	5,672,569	2,708,168	91.4%
Stormwater	61,142	-	-	102,600	363,184	380,792	17,608	4.8%
Water	348,235	914,495	1,382,336	1,949,183	1,644,950	1,445,722	(199,228)	-12.1%
Sewer	2,279,544	1,362,515	1,377,899	6,460,183	6,550,020	3,025,797	(3,524,223)	-53.8%
Total Restricted Capital	3,226,149	3,610,909	4,491,981	11,312,485	11,522,555	10,524,880	(997,675)	-8.7%
Hotel/Motel	237,315	251,205	272,717	324,575	324,219	447,472	123,253	38.0%
Police Restricted								
Police Restricted	115,296	48,946	49,051	49,829	67,381	114,538	47,157	70.0%
Police Asset Seizure	-	-	-	11,665	20,000	30,000	10,000	50.0%
Police Expendable Trust	123	-	-	-	-	-	-	0.0%
Total Police	115,419	48,946	49,051	61,494	87,381	144,538	57,157	65.4%
Parks Restricted	561,071	626,887	381,823	48,885	144,408	409,738	265,330	183.7%
Equipment Reserve	243,127	627,108	428,083	347,235	284,700	406,200	121,500	42.7%
Debt Service	656,740	659,190	659,302	657,125	657,625	660,426	2,801	0.4%
Capital Facilities	79,506	823,744	158,331	311,759	415,743	1,170,522	754,779	181.5%
Agency & Others								
Arts & Culture	21,299	27,241	14,114	52,648	53,388	44,884	(8,504)	-15.9%
Unemployment Reserve	3,354	37,991	26,902	87,956	98,000	98,000	-	0.0%
Flex Benefits	12,864	13,966	17,359	35,418	45,000	45,000	-	0.0%
Construction Deposits	27,902	49,743	58,475	333,348	325,000	-	(325,000)	-100.0%
Intergov't Agency Fund	33,443	44,192	41,882	113,415	168,328	168,328	-	0.0%
Utility Security Deposits	9,912	42,299	48,205	174,305	65,000	-	(65,000)	-100.0%
Haller Park	-	-	-	-	-	-	-	0.0%
Total Agency & Others	108,774	215,432	206,937	797,090	754,716	356,212	(398,504)	-52.8%

City Of Sequim Budget Overview

General Fund Revenues

2020 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 is 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

2020 Budget Summary

- ❖ Overall General Fund revenues are up \$861k or 8% from the 2019 (original) Adopted Budget
 - Sales Tax revenues reflect baseline revenues, plus \$299k to support one-time expenses
 - License & Permits revenues reflect baseline revenues, plus minimal one-time revenues to support one-time expenses as well as new fees related to Development Reviews
 - Utility Taxes are increased based on projected rate changes of Citywide 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

General Fund Expenses

2020 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

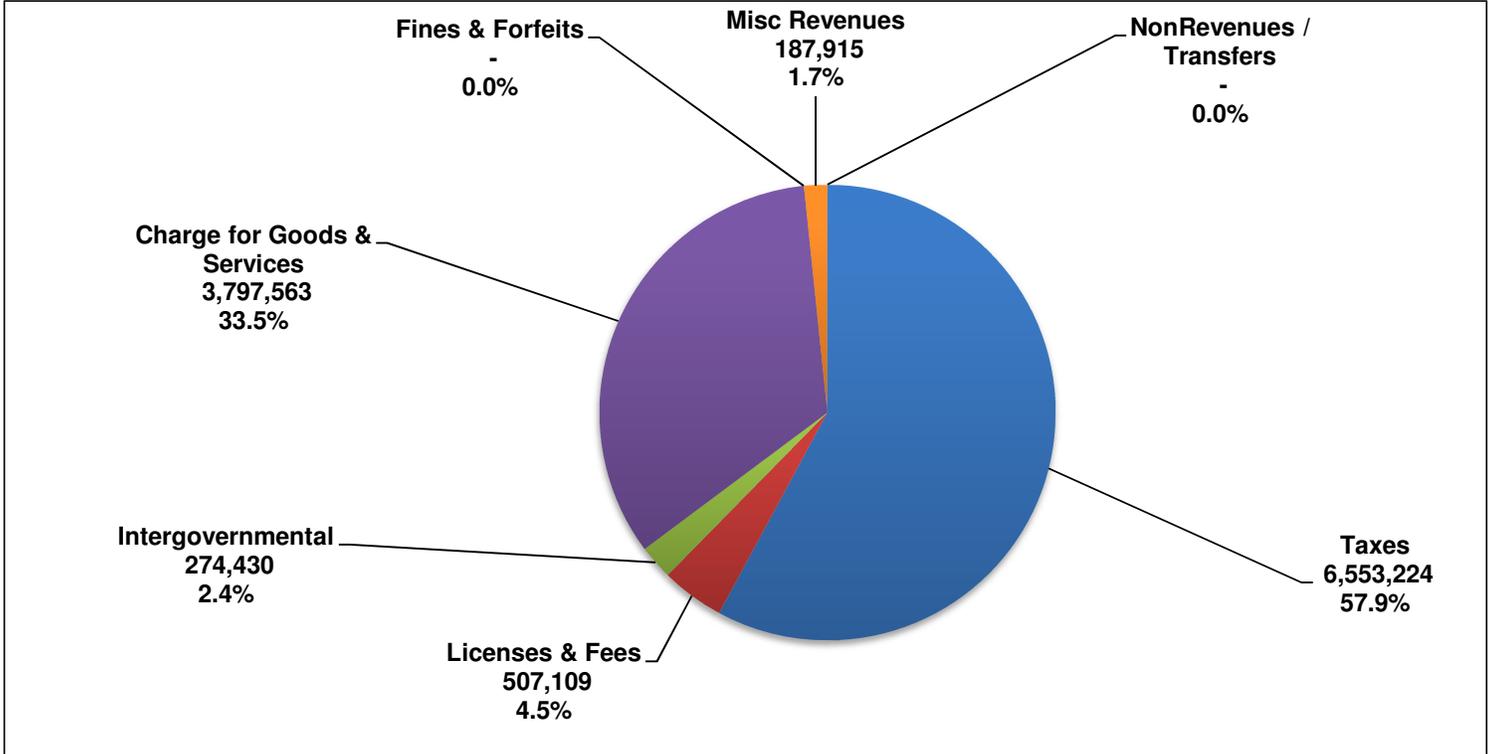
2020 Budget Summary

- ❖ Overall General Fund expenditures increased \$849k or 8% from the 2019 (original) Adopted Budget
 - Salary and Benefits increased by \$523k or 8%
 - Supplies increased \$71k or 21%
 - Services increased by \$35k or 2%
 - Intergovernmental Services increased by \$16k or 3%
 - Capital purchases increased by \$29k or 276%
 - Transfers out increased by \$174k or 14%



**City of Sequim
2020 Budget**

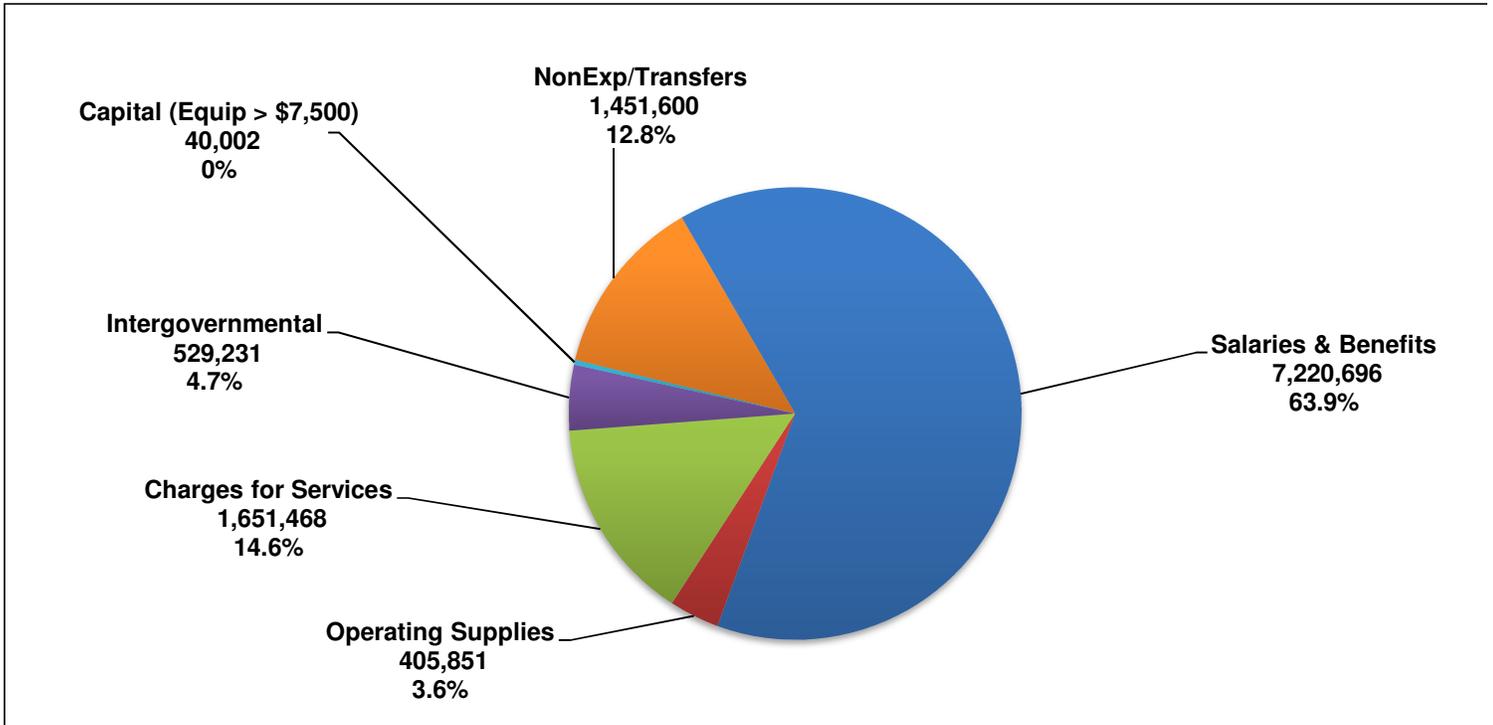
**General Fund Revenues
Total Revenues
11,320,241**



	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
Beginning Fund Balance	1,811,635	2,155,443	2,422,226	2,507,057	2,293,857	1,959,281	(334,576)	-15%
Taxes	5,706,099	6,036,523	6,612,120	6,213,674	6,186,700	6,553,224	366,524	6%
Licenses & Fees	304,496	496,527	552,318	391,184	365,714	507,109	141,395	39%
Intergovernmental	217,030	238,385	301,496	249,727	245,093	274,430	29,337	12%
Charge for Goods & Services	2,809,715	3,067,074	3,223,740	3,480,578	3,493,289	3,797,563	304,274	9%
Fines & Forfeits	4,931	526	1,273	452	-	-	-	
Misc Revenues	117,999	141,381	151,407	172,417	168,205	187,915	19,710	12%
NonRevenues / Transfers	21,380	7,787	11,382	12,557	-	-	-	0%
TOTAL Revenues	9,181,650	9,988,203	10,853,736	10,520,589	10,459,001	11,320,241	861,240	8%
Total Expenses	8,837,842	9,721,904	10,768,905	11,068,365	10,450,140	11,298,848	848,708	8%
Net Surplus/(Deficit)	343,808	266,298	84,831	(547,776)	8,861	21,393	12,532	141%
Ending Fund Balance	2,155,443	2,421,741	2,507,057	1,959,281	2,302,718	1,980,674	(322,044)	-14%

**City of Sequim
2020 Budget**

**General Fund Expenses
Total Expenses
11,298,848**

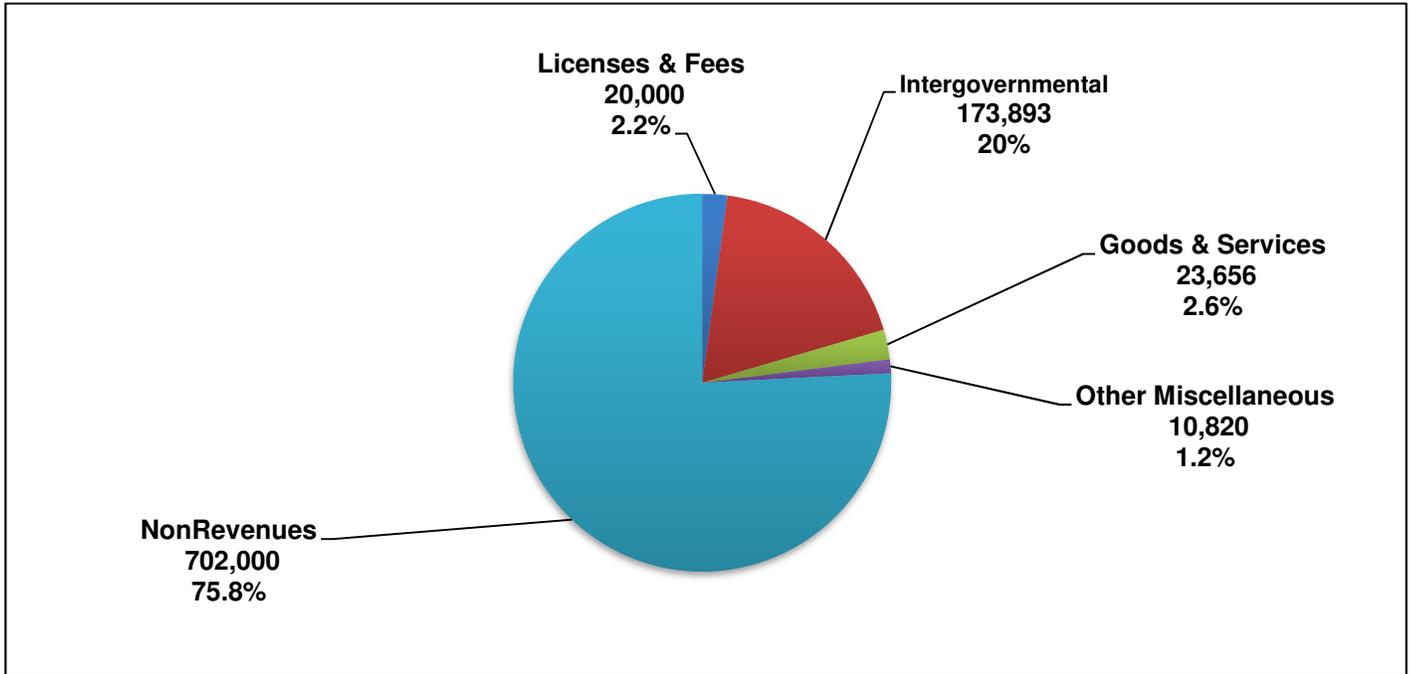


	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
Beginning Fund Balance	1,811,635	2,155,443	2,422,226	2,507,057	2,293,857	1,959,281	(334,576)	-15%
Total Revenues	9,181,650	9,988,203	10,853,736	10,520,589	10,459,001	11,320,241	861,240	8%
Salaries & Benefits	5,544,036	5,664,362	5,912,377	6,591,071	6,697,817	7,220,696	522,879	8%
Operating Supplies	331,547	347,658	362,049	329,129	334,456	405,851	71,395	21%
Charges for Services	1,233,144	1,411,062	1,570,724	1,579,021	1,616,498	1,651,468	34,970	2%
Intergovernmental	478,956	482,663	511,922	508,628	513,418	529,231	15,813	3%
Capital (Equip > \$7,500)	-	57,587	37,876	8,000	10,651	40,002	29,351	276%
NonExp/Transfers	1,250,159	1,758,573	2,373,957	2,052,516	1,277,300	1,451,600	174,300	14%
Total Expenses	8,837,842	9,721,905	10,768,905	11,068,365	10,450,140	11,298,848	848,708	8%
Net Surplus/(Deficit)	343,808	266,298	84,831	(547,776)	8,861	21,393	12,532	141%
Ending Fund Balance	2,155,443	2,421,741	2,507,057	1,959,281	2,302,718	1,980,674	(322,044)	-14%

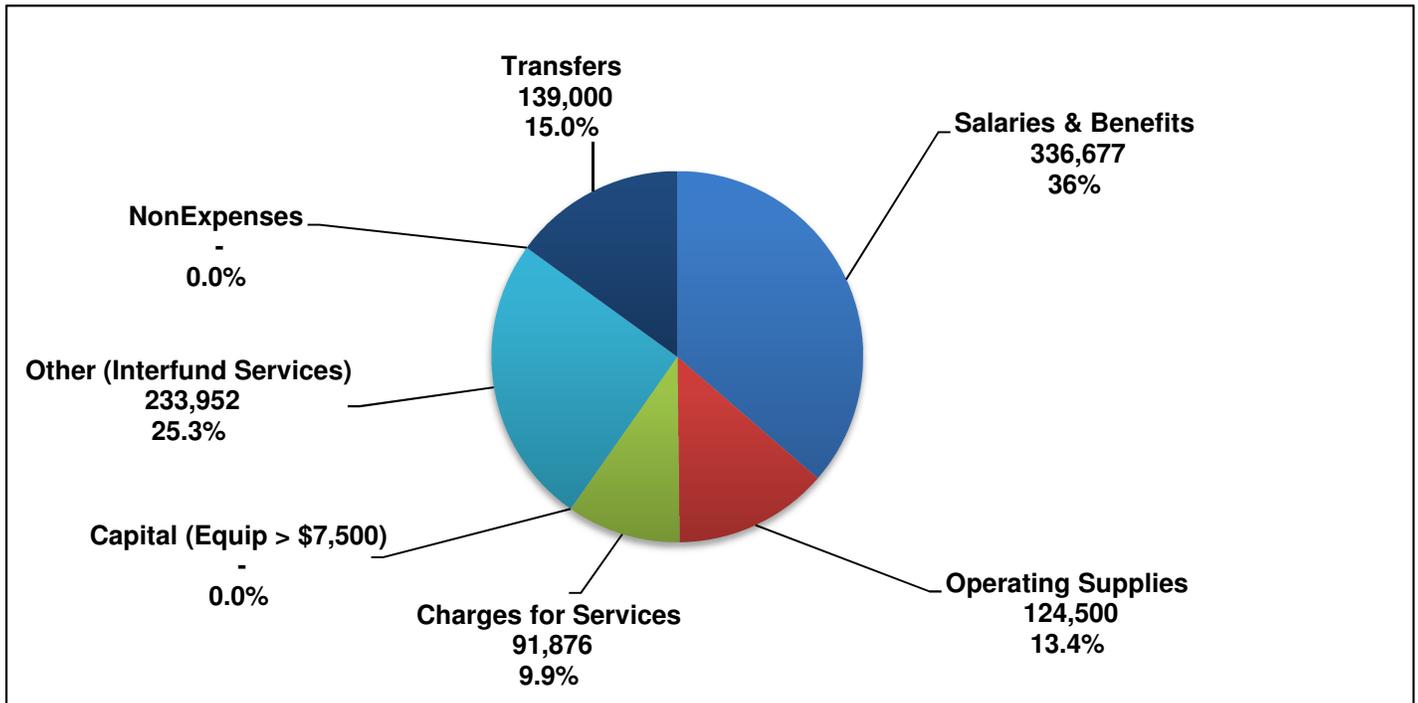
**City of Sequim
2020 Budget**

Street Operating Revenues & Expenses

Total Revenues \$ 926,181



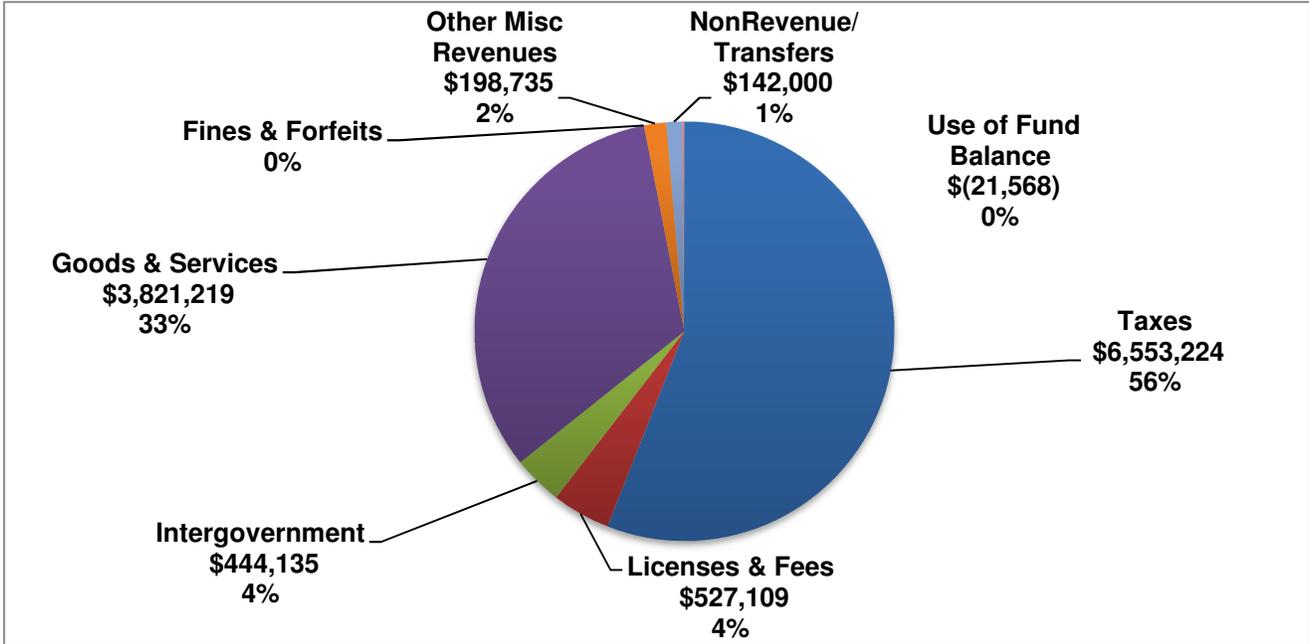
Total Expenses \$ 926,005



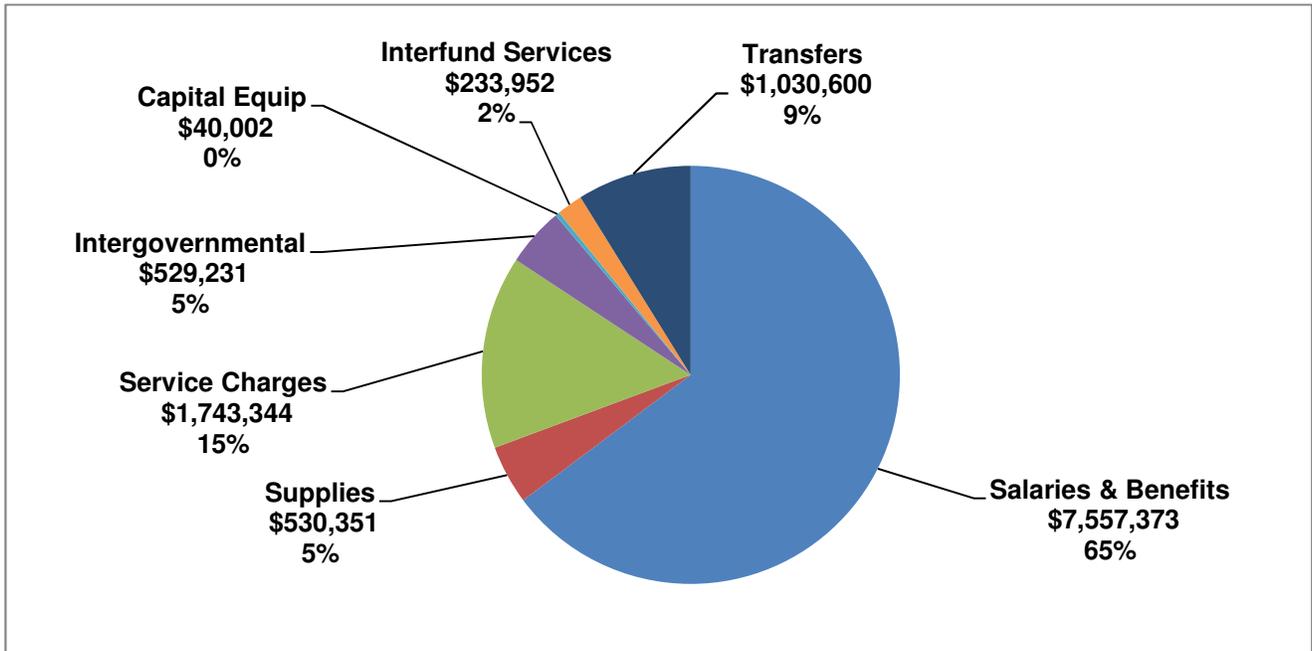
**City of Sequim
2020 Budget**

General Fund & Streets Operating Revenues & Expenses

Total Resources/Revenues \$ 11,664,854

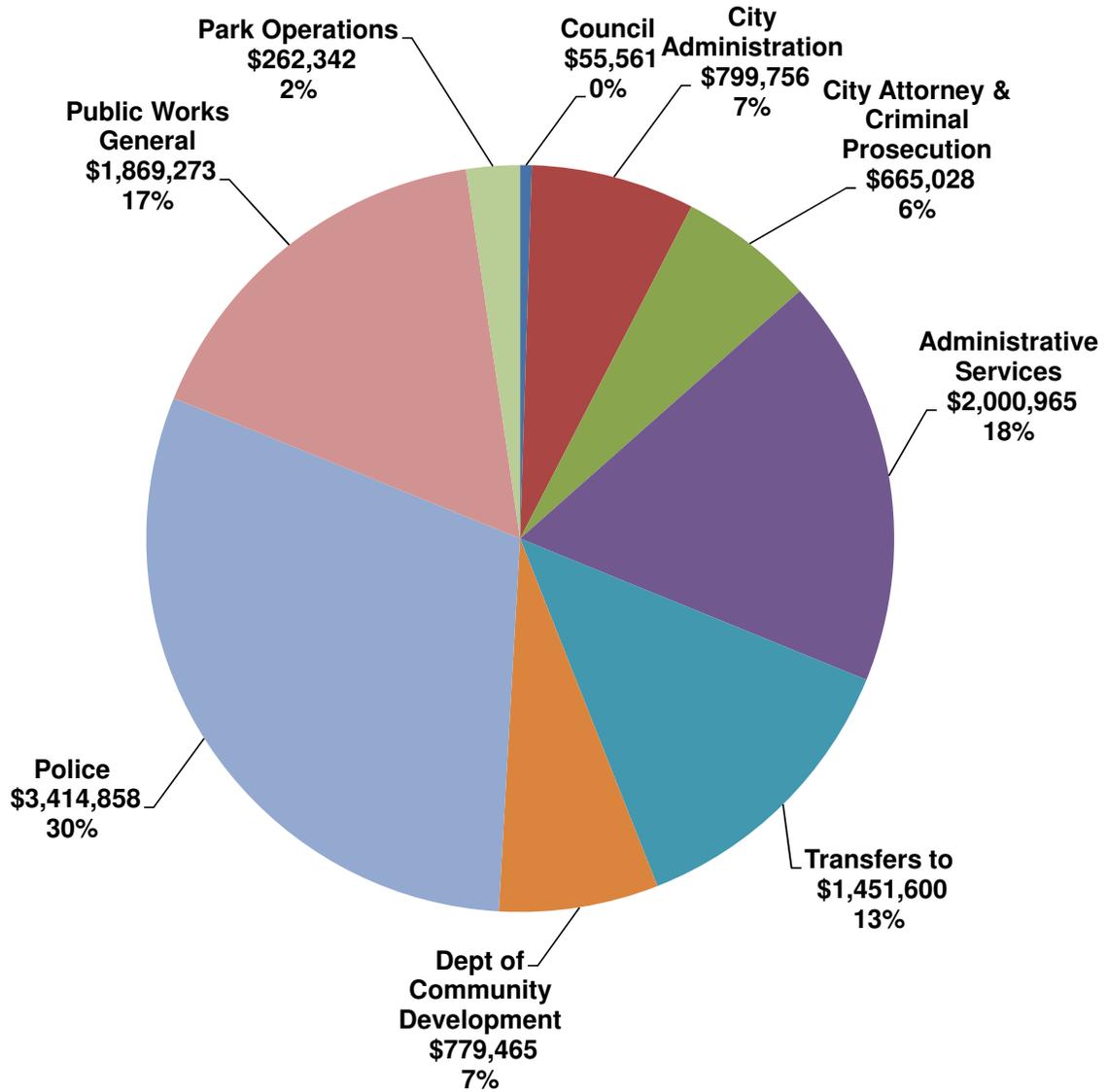


Total Expenses \$ 11,664,853



**City of Sequim
2020 Budget**

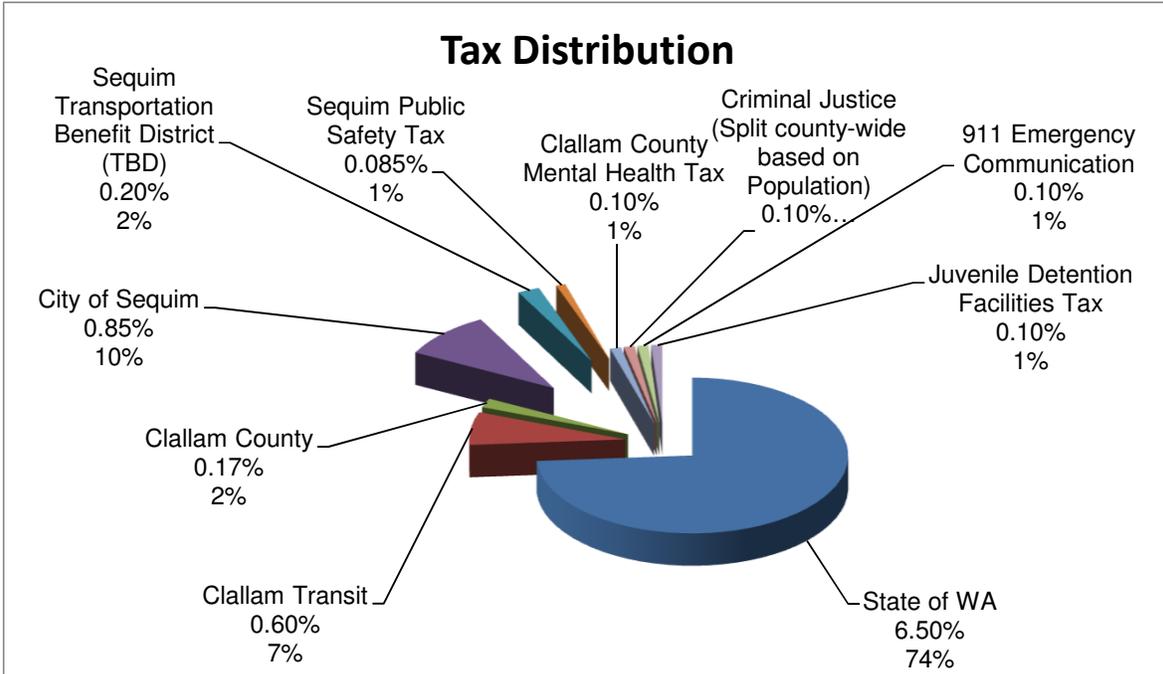
**Total General Fund Expenses
by Department
11,298,848**



	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	%
General Fund Total Expenses	8,837,842	9,721,904	10,768,905	11,068,364	10,450,141	11,298,848	848,707	8%

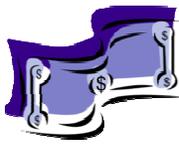
**CITY OF SEQUIM
2020 Budget**

**8.80% 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 %	8.80%	\$354,618,588	\$31,206,436
State of WA	6.50%		23,050,208
Clallam Transit	0.60%		2,127,712
Clallam County	0.17%		585,121
City of Sequim	0.85%		3,014,258
Sequim Transportation Benefit District (TBD)	0.20%		709,237
Sequim Public Safety Tax	0.085%		301,426
Clallam County Mental Health Tax	0.10%		354,619
Criminal Justice (Split county-wide based on Population)	0.10%		354,619
911 Emergency Communication	0.10%		354,619
Juvenile Detention Facilities Tax	0.10%		354,619

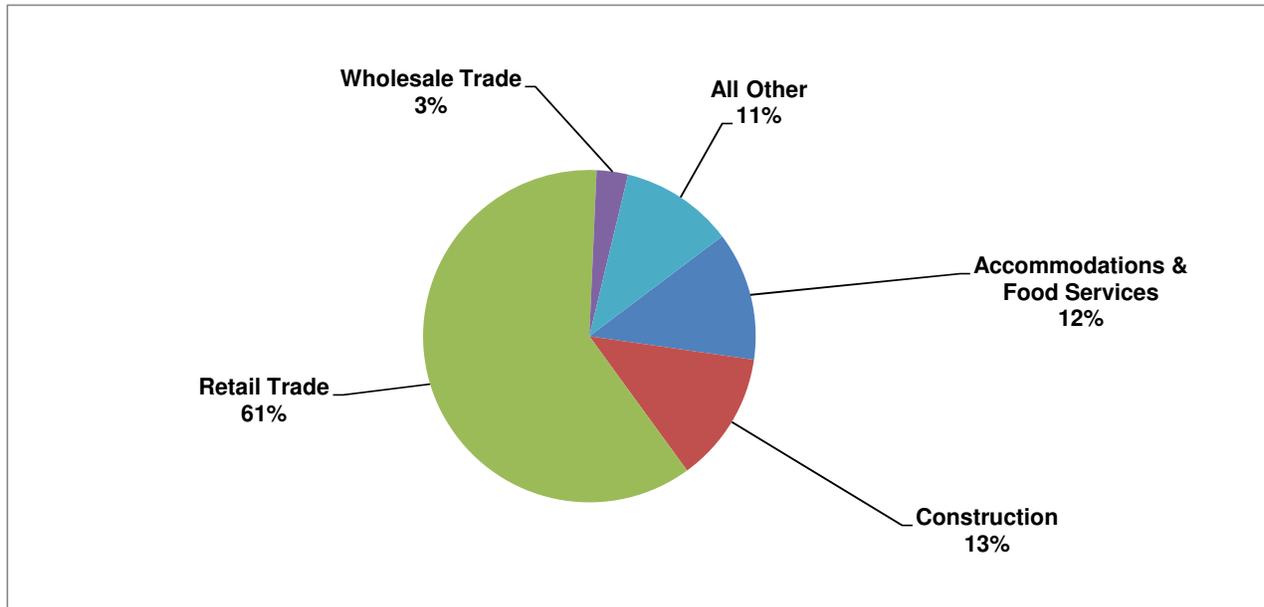
2020 Example of Sales Tax Collection

	<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	\$88	\$65	\$12	\$11
	\$5,000	\$440	\$325	\$58	\$57
	\$10,000	\$880	\$650	\$117	\$114
	\$25,000	\$2,200	\$1,625	\$291	\$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
2020 Budget**

**Annual Sales Tax by Industry
Estimate based on 2019 Forecast**



	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Budget	2020-2019 Amount	%
Accommodations & Food Services	365,711	386,478	424,668	369,585			
Construction	182,795	249,432	430,523	374,681			
Retail Trade	1,748,493	1,847,468	2,055,670	1,789,033			
Wholesale Trade	89,809	103,570	103,309	89,909			
All Other	335,966	331,431	370,787	322,693			
State Adjustments	15,580	36,283	819	714			
Total	\$ 2,738,354	\$ 2,954,662	\$ 3,385,777	\$ 2,946,615	\$ 3,014,258	\$ 67,643	2.30%

Budget detail
by Industry not
available

Estimated Annual Sequim Sales \$322,159,335 \$347,607,294 \$398,326,706 \$ 346,660,588 \$ 354,618,588

**City of Sequim
2020 Budget
Property Tax**

Clallam County Levy

	2017	2018	2019
Clallam County Total Valuation	\$ 7,697,314,552	\$ 8,321,650,465	\$ 9,041,260,634
Total County Property Tax Levied	\$ 10,491,188	\$ 10,732,513	<i>Not Available as of publication</i>
City of Sequim Valuation	\$ 906,086,629	\$ 973,941,010	\$ 1,085,922,040
Total Sequim Property Tax Levied	\$ 1,413,614	\$ 1,049,952	\$ 1,538,503
Distribution per \$1,000 Assessed Value	9.54	10.32	10.32

Distribution of Sequim Property Tax Dollars

Taxing District	2017			2018			2019		
	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-Part 1	2.093	20%	419	1.942	19%	388	1.973	19%	395
State-Part 2 (NEW 2018)				1.060	10%	212	0.735	7%	147
Schools-Special	1.427	14%	285	1.437	14%	287	1.367	14%	273
Schools-CP/Bonds (NEW 2018)				0.154	2%	31	0.323	3%	65
City of Sequim	1.560	15%	312	1.502	15%	300	1.417	14%	283
County	1.363	13%	273	1.290	13%	258	1.219	12%	244
Fire Dist 3-General	1.336	13%	267	1.256	12%	251	1.500	15%	300
Fire Dist 3-EMS	0.500	5%	100	0.471	5%	94	0.451	4%	90
Hospital	0.568	6%	114	0.535	5%	107	0.504	5%	101
Library	0.500	5%	100	0.493	5%	99	0.465	5%	93
LCFA		-	-						
Port	0.191	2%	38	0.179	2%	36	0.169	2%	34
Total Levy	9.538	92%	1,908	10.319	102%	2,064	10.122	100%	2,024

Property Taxes (RCW 84.52)

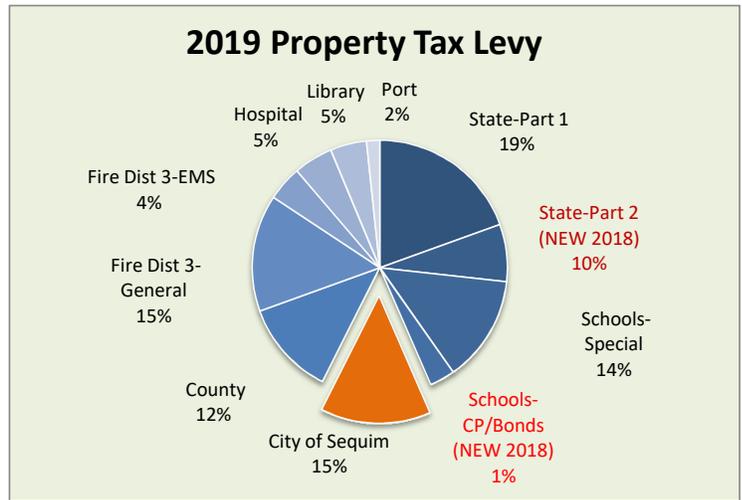
The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied in November on the property value listed as of the prior May 31, and becomes a lien as of January 1. Assessed values are established by the County Assessor at 100% of the 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.



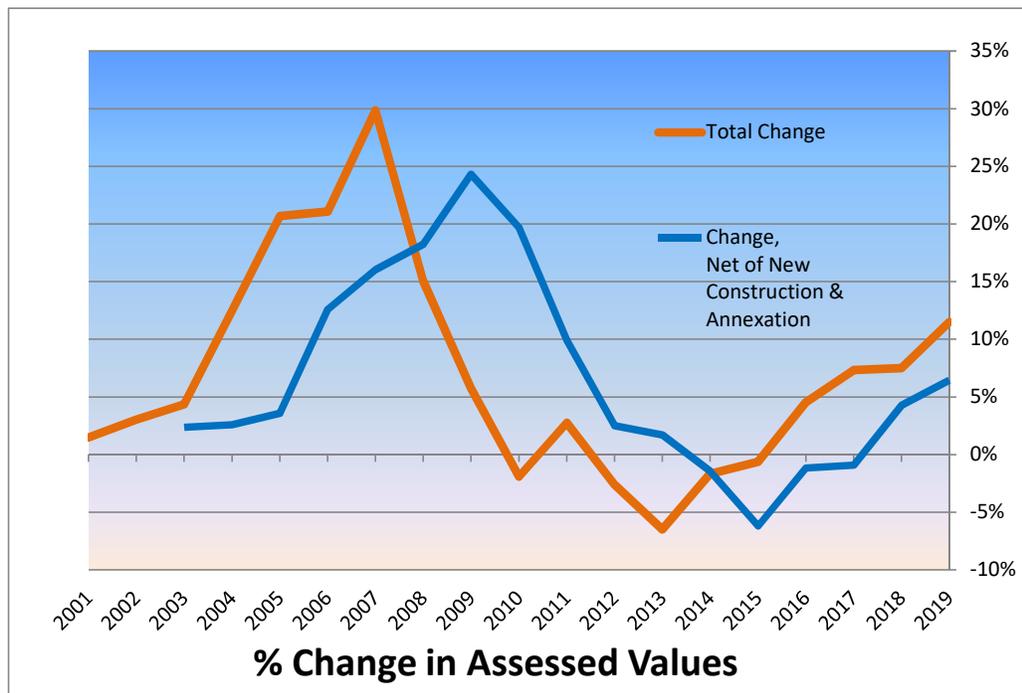
**City of Sequim
2020 Budget**

Assessed Values

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
2019	2020	1,588,888	1,196,659,049	38,898,334		10.20%	10.69%
2018	2019	1,538,503	1,085,922,040	39,986,813	-	11.50%	9.78%
2017	2018	1,462,655	973,941,010	21,181,704	-	7.49%	7.12%
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

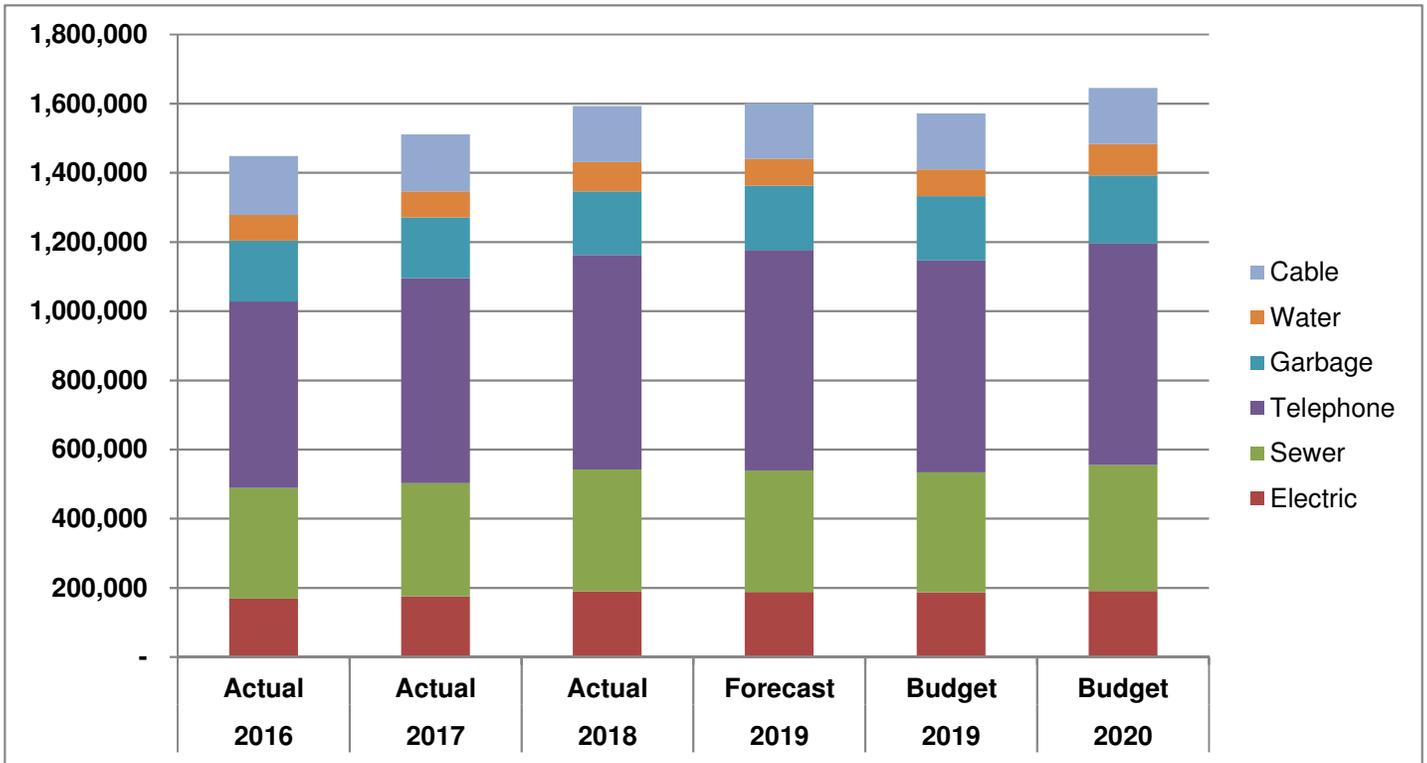
The statutory maximum increase of the tax levy without voter approval is 1% plus the taxable value of new construction and improvements, annexations and increases in State of Washington assessed utility values.





**CITY OF SEQUIM
2020 Budget**

**Public Utility Tax
by Public Utility**



Tax Rate*	Public Utility	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	2020 Budget	2020-2019 Amount	2020-2019 %
6%	Electric	168,372	175,147	189,722	187,258	187,000	190,143	3,143	2%
8%	Sewer	320,200	327,181	352,316	351,575	347,000	364,731	17,731	5%
6%	Telephone	539,479	592,795	620,396	638,295	612,227	641,440	29,213	5%
8%	Garbage	175,041	175,811	184,016	185,118	185,857	195,826	9,969	5%
8%	Water	74,526	75,415	84,411	77,556	77,555	91,282	13,727	18%
5%	Cable	170,562	164,633	162,075	161,253	161,683	161,683	-	0%
	Total	\$ 1,448,180	\$ 1,510,982	\$ 1,592,936	\$ 1,601,055	\$ 1,571,322	\$ 1,645,105	\$ 73,783	5%

*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 and 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 studies 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

2020 Debt Summary

2020 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 financial policies for Council and Rating Agencies

2020 Budget

- ❖ \$10.68ml in LTGO debt was issued in August 2013 for the Civic Center project with total debt service in 2020 of \$660k
 - A total of \$695k is being transferred into this fund to service the debt and save for possible future pre-payment of debt.
 - \$335k from the General Fund, \$255k from the Public Safety Tax, and \$105k from REET
- ❖ 2020 Utility Debt payments continue as in prior years and are funded by Utility Rates and regional contracts. 2020 begins the year with the following outstanding debt:
 - Water and sewer revenue bonds totaling approximately \$2.5m to fund the utility portion of the Civic Center project, and related debt service of \$114k per utility
 - State Revolving Funds - \$3.4ml in outstanding principal
 - Public Works Trust Fund - \$462k in outstanding principal

General Obligation Debt

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

In 2013, the City issued \$10.68ml 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 \$10.68ml 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 on the debt was made 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.

Utility Debt

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

The City received a \$5.324ml 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 continued at 0% interest. Final payment was made in March 2018.

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

The City received a \$5.540ml 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 was scheduled for January 2030, but the City paid off this loan in early 2019.

City Of Sequim Budget Overview

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. Ten annual payments of principal and interest (\$60k) commenced in 2019. The loan matures in 2027.

2014 WA State Revolving Fund (SRF) – WRF Aerobic Digester and Headworks Upgrade

In 2014, Council approved a loan for \$720k, paid over 5 years at 1.4%, with an annual payment of principal and interest of \$168k per year. This loan matures in 2021.

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 \$3.3ml. 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: \$178k for Aerobic Digester Capacity Upgrades (PE) with a 20 year term, 2.0% interest and \$89k in forgivable principal, \$513k for Sunnyside Sanitary Sewer Improvement, with a 20 year term, 1.8% interest and \$25k in forgivable principal, \$589k for Doe Run Lift Station Improvements, with a 20 year term, 1.8% interest and \$41k in forgivable principal.

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

2019 WA State Revolving Fund Loan – West Fir Street Sewer Improvements

The City will receive reimbursements for sewer construction and improvements on West Fir Street in the form of a \$770k, 20 year loan, at 1.4% beginning in 2019. \$67k is forgivable principal. Annual payment should approximate \$40k per year and will be paid for with sewer revenues.

**City of Sequim
2020 Budget**

Debt Capacity

Based on Prior Year Assessed Value

<i>Amount at End of Year</i>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Forecast</u>	<u>2020</u> <u>Budget</u>
Prior Year Assessed Property Value	906,118,684	973,941,010	1,086,080,554	1,085,922,040	1,196,659,049
				<small>2020 estimated, Clallam County Assessor's office</small>	
General Obligation Debt Capacity (up to 7.5%)					
General Purpose Debt Limit (2.5%)					
NonVoted Debt Limit 1.5% (councilmanic)	13,591,780	14,609,115	16,291,208	16,288,831	17,949,886
Voted Debt Limit 1.0%	9,061,187	9,739,410	10,860,806	10,859,220	11,966,590
Debt Limit 2.5%	22,652,967	24,348,525	27,152,014	27,148,051	29,916,476
Utility Purpose Debt Limit (2.5%)					
Voted Debt Limit 2.5%	22,652,967	24,348,525	27,152,014	27,148,051	29,916,476
Open Space, Park & Capital Facilities Debt Limit (2.5%)					
Voted Debt Limit 2.5%	22,652,967	24,348,525	27,152,014	27,148,051	29,916,476
Total General Obligation Debt Capacity	67,958,901	73,045,576	81,456,042	81,444,153	89,749,429
NonVoted General Obligation Debt Outstanding					
City Hall/Police Facility LTGO	10,230,000	10,000,000	9,765,000	9,525,000	9,275,000
Keeler Park Note/Bond	-	-	-	-	-
NonVoted GO Debt Outstanding	10,230,000	10,000,000	9,765,000	9,525,000	9,275,000
NonVoted Debt Capacity	3,361,780	4,609,115	6,526,208	6,763,831	8,674,886
Voted Debt Capacity	54,367,121	58,436,461	65,164,833	65,155,322	71,799,543
Available GO Debt Capacity	57,728,901	63,045,576	71,691,042	71,919,153	80,474,429

Industry Bond Rating Standard					
GO Debt as % of Assessed Value	1.13%	1.03%	0.90%	0.88%	0.78%
Industry Standard not to exceed	4.5%	-	-	-	53,849,657
GO Debt per Capita	1,446	1,374	1,309	1,238	1,170
Population	7,075	7,280	7,460	7,695	7,926
				<small>est based upon 3% growth</small>	
				<small>OFM est for 2019</small>	

Revenue Debt Outstanding (excluded from General Purpose Debt limits)					
<i>Amount Outstanding at End of Year</i>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Forecast</u>	<u>2020</u> <u>Budget</u>
SRF 2010: DOE State Revolving Fund	4,173,555	3,903,297	3,627,309	-	-
SRF 1997: DOE State Revolving Fund	409,538	136,513	-	-	-
PWTF 2013: Aerobic Digester Loan	520,000	520,000	520,000	462,223	404,445
2014 Water & Sewer Revenue Bond	2,910,000	2,790,000	2,670,000	2,545,000	2,415,000
CWSRF W Fir Sewer	-	-	-	538,650	538,650
CWSRF Headworks Project \$720k	-	650,846	491,533	329,976	166,142
CWSRF Aerobic Digester Capacity	-	-	-	178,000	178,000
CWSRF Sunnyside Sewer \$513k	-	30,478	488,763	472,289	450,756
CWSRF Doe Run Lift Station	-	33,481	547,930	529,468	505,339
DWSRF 028 5th & McCurdy Booster Station \$732k	-	81,757	103,166	732,099	732,099
DWSRF 036 Sunnyside Water Main \$641k	-	34,242	575,856	641,249	641,249
Revenue Debt Outstanding	8,013,094	8,180,614	9,024,557	6,428,954	6,031,680

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
2020 Budget**

Debt Capacity

