City of Sequim

Adopted Budget 2026

CITY OF SEQUIM



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Reader’s Guide

We are pleased to present the City of Sequim's 2026 Budget Book in an interactive digital format.

Key features of this digital format include:

- A **navigation** bar located to the left enables you to locate any section of the book you wish to view.
  - Click on the **>** to access content in sub-folders.
- A print **"PDF"** feature allows you to generate a printable version of one or more sections of the book. Please click on the PDF icon on the left and enter your e-mail address and then select the pages you wish to print.
- Dynamic charts and graphics located throughout show financial details in an easy-to-understand visual format.

Frequently Used Terms

Accounting Terminology for Government Finances

This list contains terms that are frequently used throughout the charts and tables in this document.

Revenue Categories

Taxes: A mandatory financial charge imposed by the government on individuals or businesses to fund government activities and public services, like parks and roads. In Sequim, taxes include:

- **Sales Tax**: Extra money you pay on most things you buy.
- **Utility Tax**: A fee included in your utility bill for services like water and sewer.
- **Property Tax**: Money you pay based on how much your house or land is worth.
- **Real Estate Excise Tax**: A fee when you sell property.
- **Hotel/Motel Tax:** A tax upon short-term rentals.
- **Transportation Benefit District Sales Tax**: Supports projects for transportation improvements.
- **Public Safety Tax**: Funds public safety services and used to pay debt on the Police Station.

Licenses and Permits: This is the money you pay to get official permission for something, such as:

- **Building Permits**: Needed if you want to build something new or remodel.
- **Special Event Permits**: Required if you want to host a public event.
- **Business Licenses**: Needed to legally run a business.

Intergovernmental Revenues: This is money that comes from other government groups. In Sequim, it includes:

- **Liquor and Marijuana Taxes**
- **Federal and State Grants**
- **Motor Vehicle Taxes**.

Charges for Goods and Services: This is money paid to use certain City services or goods. In Sequim, this includes:

- **Water and Sewer Services**
- **Engineering Services for Building**
- **Internal Department to Department Services**
- **Public Record Requests**.

Miscellaneous Revenues: This is money that comes from activities not listed elsewhere, like:

- **Interest Income**: Money earned from bank savings and investments.
- **Rental Income**: Money earned from renting out property.
- **Gifts or Donations**.

Transfers in/Non-revenues/Other Financing Sources: Incoming money that does not originate from primary or ongoing operations. In Sequim, this includes:

- **Money Moved from Other Funds (Transfers in)**
- **Refundable Deposits**.

Expenditure Categories

Salaries and Benefits: Paying employees, providing them with health and retirement benefits and payment of applicable taxes.

Supplies (and Small Tools): “Consumable” items needed for day-to-day operations. In Sequim, this includes office and janitorial supplies, fuel, small tools (like a chain saw or a laptop), ammunition, computer keyboards and monitors, gardening tools, etc.

Charges for Goods and Services: This is money paid to use certain services or goods. In Sequim, this includes professional services contracts (e.g., on-call engineering and lobbyist costs), utility charges (electricity, water and sewer charges), repairs and maintenance, advertising, travel, meals, training registrations and memberships.

Intergovernmental Payments: This is money paid to other government agencies. In Sequim, this includes excise taxes paid to the Department of Revenue, certain permits, state auditor costs, Police dispatch, court, jail, defense and prosecution services, election and voter registration costs.

Capital Expenses: This includes any equipment purchase or improvement/replacement/expansion project exceeding $7,500. In Sequim, you’ll see items in the Equipment Reserve like dump trucks and other vehicles, and all of our capital projects noted in the Capital Improvements Section.

Other Services Interfund: This records money paid by city departments for services they use from each other.

Transfers out/Non-expenses: This is money outflows considered non-operational. In Sequim, this includes transfers out to other funds or the return of refundable deposits.

INTRODUCTION

City Manager's 2026 Budget Message

Honorable Mayor, City Council and Sequim Residents:

I am pleased to present this proposed 2026 Budget to City Council, which should serve as the annual financial roadmap for the City of Sequim. This budget reflects the City's dedication to sound financial stewardship and prudent fiscal management. It establishes direction for the City Council, City departments, and all their related programs and services. This budget allocates resources to the Council's priorities, the City's operational needs, and addresses input from the recent community and business surveys to ultimately maintain and improve the quality of life in Sequim. The overall budget is $52M, and less than the prior year budget of $58M due to the adjustments in the Capital Improvement Plan (discussed below).

As outlined in the adopted City Council Financial and Budget Development Policies, our guiding principles provide the foundation for this proposed budget, which state:

- Prioritize the City's primary needs.
- Achieve a balance between revenues and expenses while maintaining optimal reserve levels.
- Minimize the impact of tax and fee increases on residents and ratepayers.
- Continue refining the City's financial plan to create a foundation for maintaining a balanced budget in future years.
- Maintain and improve the quality of all municipal services.

Additionally, this budget embodies the City's 2026 Operational Goals (see below), designed to address municipal priorities within our community.

Administration's 2026 Operational Goals:

1. Enhance Customer-Centric Experience: Elevate processes to increase efficient and exceptional services for employees, residents, and businesses.
2. Digital Transformation: Continue strategic commitment to smart city innovative advancements through state-of-the-art hardware, software, dashboards, artificial intelligence, and analytical opportunities.
3. Continued Process Improvement: Ensure continued efficiencies across all operations via data-driven decisions and return on investment.
4. Community and Economic Development: Complete the Comprehensive Plan with a focus on managing growth and development across the city while strategically implementing a multi-tier economic development plan to support and enhance business activity.
5. Fiscal Ownership: Manage finances to be in the top percentage of industry standards and ratios. Scrutinize every cost by line-item, justifying returns while eliminating any waste identified.

While individual departments have their unique operational goals, there is a unified commitment to provide exceptional value to our community through the provision of quality municipal services, superb customer experiences, and reducing costs through technology and enhanced efficiencies identified through a tenacious process improvement model.

This budget has taken into account an array of economic forecasts that predict continued positive fiscal activity, driven by moderate growth and a stable retail environment. These forecasts are reflected in our conservative revenue estimates, which are designed to ensure adequate reserves, provide for timely debt payments and cover contingencies in our General Fund. Consequently, operational expenses show modest increases from prior years, influenced by usual and customary inflationary pressures, market and cost-of-living adjustments for employees, and ongoing maintenance.

The City's 2026 Capital Improvement Plan (CIP) totaling $17.4M reflects the need for substantial and complex capital projects to proactively manage the City's growth and development. This budget includes capital projects for our various Public Works divisions, including $3.7M for Streets, $487K for Parks, $2.4M for Water, $973K for Sewer, $1.3M for Facilities and $8.5M for multiple inter-divisional projects.

The 2026-2031 Capital Improvement Plan totals $190M and includes 133 key municipal projects, of which 51% (or $96M) is currently unfunded. Hence, the completion of these projects depends on securing external funding through grants, low-interest loans, and/or bonds.

General Fund

Revenues for the General Fund are projected to be $13.8M, a 3% increase over the prior year. Key revenue drivers include:

1. Sales tax - this is one of the largest single general revenue sources and the only one that typically expands or contracts with the local economy;
2. Utility tax - these revenues continue to show strong year-over-year growth;
3. Property tax - new construction also contributes to projected revenues.

General Fund Highlights:

- Projected revenues conservatively reflect the current economic marketplace as demonstrated in recent years.
- Interfund/Overhead service costs in the General Fund are applied throughout the organization.
- Existing labor contracts and cost-of-living adjustments account for increases and movement within existing wage ranges.
- Continued support to Street Operations, Equipment Reserve, Debt Service, and the Arts Funds.

Operational expenses are projected to increase by 3%, due to customary incremental adjustments in salaries and benefits, as well as the expected increase in costs for goods and services.

Fund Balance and Reserves

The City's Fund Balance and Reserve Policy provides guidelines for long-range financial planning. Maintaining adequate fund balances is essential to address revenue fluctuations, cyclical activity, economic uncertainty, emergencies, and potential future liabilities. This budget provides an aggregate fund balance of $4.2M, with $4.0M in the General Fund and $209K in the Street Fund, plus $2.2M in the Equipment Reserve Fund and $914K in the Rainy-Day Fund, ensuring that the City maintains a strong and fiscally responsible position.

Personnel

City employee salaries and benefits account for 71% of total expenses (excluding transfers) within the General Fund, and reflects the costs required to provide municipal services. The chart below illustrates the City's historical staffing costs and highlights the changes projected for 2026.

Historical Staffing Summary

	Actual 2022	Actual 2023	Actual 2024	Budget 2025	Budget 2026	2025 - 2026 %
Budgeted positions (FTE, not including Council)	*89.04*	*94.27*	*96.71*	*100.52*	*101.60*	*1.1%*
OFM Census	8,215	8,350	8,405	8,410	8,662*	3.0%
Employees per 1000 OFM Population	*10.8*	*11.3*	*11.5*	*12.0*	*11.7*	-1.9%
					*staff estimate 3% inc.**	
Salaries	$ 7,265,578	$ 7,470,779	$ 8,589,165	$ 8,961,686	$ 9,591,133	7.0%
Benefits	$ 2,861,201	$ 2,970,249	$ 3,268,561	$ 3,563,704	$ 3,560,894	-0.1%
Total Comp	**$ 10,126,779**	**$ 10,441,028**	**$ 11,857,726**	**$ 12,525,390**	**$ 13,152,027**	5.0%
Year over Year % Increase		*3.1%*	*13.6%*	*5.6%*	*5.0%*	

Total citywide compensation costs are projected to increase by 5.0%, impacted by three employee bargaining unit contracts, as well as cost-of-living, market adjustments, and comparative data regarding our non-represented staff. Salaries and benefits for all bargaining units are adjusted by contractual increases, and include individual step increases, and longevity adjustments. While non-union employee salaries do not include step increases, the proposed budget does provide a minimal increase for these employees. The proposed staffing model (per thousand residents) has remained relatively static over the last five years but shows a slight decrease from 2025.

Utilities

Establishing appropriate utility rates that support the costs of daily operations and fund expenses related to master planning, capital improvement planning, and debt service, remains an important priority. In 2025, an extensive utility rate study was performed, resulting in recommendations for a 5.5% annual increase in water rates and a 4.5% increase in sewer rates through 2030. These recommendations were approved by Council as they reflect the actual costs of providing that municipal service. All recommendations to the City Council regarding rate increases remain grounded in quantitative data. Additionally, by adjusting actual rates incrementally overtime, residents avoid major periodic cost increases.

The 2026 budgeted utility revenues are higher than 2025 due to the proposed rate increase mentioned earlier and the anticipated growth in new homes and subsequent utility accounts. Per City Council's direction, the low-income discount program has been continued, providing reduced utility bills for qualifying residents.

In 2026, the utility Sewer Fund debt service is $250K, and $337K for the Water Fund. Major repair, replacement and expansion projects are planned, along with smaller ongoing maintenance projects for both utilities. Completing these projects will require the use of fund balances, loans, grants, and developer fees.

Community Requests for City Funding

During the annual budget process, the city reviews requests for funding from the community. In 2026, the City continues to support social and human services ($150K), as well as general programs that offer a broad public benefit ($60K). These allocations account for 1.5% of the General Fund budget, per Council policy. For more information, please refer to the Municipal Funding Program spreadsheet.

Civic Center Debt Service

The annual Utility Revenue Bond debt service, related to the Civic Center and extending over 20 years, is $225K. The City's annual General Obligation (GO) debt is approximately $617K, down from $665K due to the City's ability to pay down bonds early in 2023. The funding sources for servicing this debt are detailed below.

Funding Source:	**2025**	**2026**
Public Safety Tax	$350,000	$325,000
REET Transfer	$100,000	$100,000
General Fund	$200,000	$200,000
Total:	**$650,000**	**$625,000**

Conclusion

I am pleased to present this balanced budget, which meets the long-term needs of the City while considering the current economic realities and financial trends. This budget has undergone substantial internal review due to a range of variables that could have an impact, such as federal interest rates, inflation, tariffs, and recession possibilities. I also appreciate that this budget includes appropriations to maintain staffing and deliver vital municipal services, while addressing City Council goals and community needs.

Finally, the preparation and adoption of the budget is a team effort involving leadership, staff, and the City Council members. Sincere appreciation is extended to department directors for submitting conservative budget requests and considering alternative ways to achieve priorities. Special thanks are also due to the Finance Director and staff for their tireless work and detailed preparation of this budget. Lastly, sincere appreciation goes to the City Council members for their leadership in adopting financial policies and prudent fiscal guidelines, which form the foundation for this budget proposal.

Respectfully submitted,

Matthew B. Huish

City Manager



CITY COUNCIL 2025 - 2026 PRIORITIES

1. **Infrastructure needs to catch up with growth**
2. **Lack of workforce housing/affordable housing in planning**
3. **Comprehensive Plan update**
4. **Capitalize on strengths**
5. **Climate Change**
6. **Adverse State legislative action**
7. **Lack of housing for external workforce recruitment**
8. **Unchecked growth**

History of the City

The City of Sequim is located on the north Olympic Peninsula in the northwest corner of Washington State. It is a semi-rural city, with a population of approximately 8,500 citizens, and covers six square miles. The City is surrounded by the Sequim-Dungeness Valley, which lies in unincorporated Clallam County and is home to an additional 25,000 residents who rely on the City of Sequim for certain amenities and community activities. Valued for the beauty of its natural surroundings, the City is bordered by the Olympic Mountains to the south and the Strait of Juan de Fuca to the north. Due to a rain shadow caused by the surrounding mountains, Sequim is one of the driest places in western Washington, averaging 16 inches in annual rainfall.



The City of Sequim is in a semi-remote location and is separated from the largest population base in the state, the Seattle – Tacoma Metropolitan areas, by two bodies of water: the Puget Sound and the Hood Canal. There are several transportation routes to Sequim and the Olympic Peninsula including Washington State Ferries through Kingston, Bremerton, and Bainbridge Island, and state routes 104 and 101 once across the Hood Canal Bridge. Trips from Seattle generally take two hours and from Tacoma approximately one hour and forty-five minutes.

Sequim History

Settlement of the Dungeness area by men of European ancestry began more than 150 years ago in the mid 1850's. Not that the land had been totally unoccupied before. For thousands of years, ancestors of the S'Klallam Tribe had fished the rich waters of Dungeness River, the Strait and Sequim Bay. They had made their homes along the beach, hunted in the dark forests and moved inland along the river and streams in search of food. The town was originally named Seguin, translated from the native Klallam language as "hunting place." According to legend, a postal clerk in the east misread the "g" and the "n" and the town was renamed to Sequim in 1907.

Formed by a group of local farmers, the Sequim Prairie Ditch Company built and opened a series of wooden flumes and irrigation ditches in 1896 bringing much needed water from the Dungeness River to the arid valley. A celebration was held on May 1, 1896 to commemorate the first irrigation ditch and the celebration continues to this day with the annual Irrigation Festival, now in its 131th year. It is the longest continuous running community festival in the state of Washington.

With a population of more than 300 residents, Sequim was incorporated in 1913 as a town. Jilson White, a local salesman was elected as the first mayor and a town council of five men was created to establish ordinances to promote public safety and regulate businesses. In 1973 the town of Sequim was advanced to the classification of city with a council of seven members and the election of all officers: mayor, council, treasurer, clerk, and attorney. In 1995 the City adopted the Council/Manager form of government. The citizens now elect the City Council, which elects one of its members as mayor, one as deputy mayor, and hires a professional City Manager.

In 1915 railroad passenger and freight service between Port Angeles and Sequim and Sequim and Port Townsend was established allowing Sequim to become an agricultural center, and to grow and prosper.

In the 1920s and 1930s, Sequim thrived as a dairy farming community. The lush valley continued to prosper with fields of alfalfa and other grains. In 1922, the town purchased a private water system utilizing wells and small springs on the prairie. Seven years later bonds were issued to extend the system to secure a water supply from the Dungeness River.



In 1934 the University of Washington declared Sequim was “The Healthiest Place in the World.” 1936 brought Sequim’s largest project of the decade, bonding and building a sewer system with 246 connections. In 1947, the Town had a population of 880 and its first annexation since the beginning of the century. In 1950, the Town bought its first police car and established a curfew. For many years, Sequim streets remained unpaved. By 1950 residents began to protest the condition of the streets and surfacing began. The first paving project was completed in 1957. The City Council directed that horses were to be kept off all resurfaced streets.

In 1961 Washington State Governor Albert D. Rosellini cut a ribbon to open the Hood Canal Bridge, connecting the Olympic Peninsula to the larger metropolitan area. Sequim was first touted nationally as a good retirement location in 1966. In the latter half of the decade, many of the dairy farms were being sold and the land annexed into the city.

Progress continued and the City opened a modern sewage treatment plant in 1967 and established a Police Department in 1970.

Developers began noticing the Sequim-Dungeness Valley and by 1973, Sequim’s population had risen to 2,287. The City Council responded to the rapid growth and passed a comprehensive planning/zoning ordinance.



A new city hall opened on Cedar Street in 1973. The building cost $110,000. In 1974, Sequim had a population of 2,600 and voters approved a measure to reclassify Sequim as a city.

In anticipation of the Highway 101 by-pass completion, Sequim 2000, a Chamber of Commerce committee, was formed in 1995 to spark ways to increase tourism in the area. One of the ideas of the committee was the concept of fields of flowers. That concept evolved into the commercial production of lavender. In 1997 there were seven lavender farms in the valley. Today there are more than two dozen lavender farms and lavender product businesses in the Sequim-Dungeness Valley and Sequim is recognized as the Lavender Capital of North America. The first Lavender Festival was held in downtown Sequim in 1997 and drew several hundred local attendees. Today, Sequim Lavender Weekend, home to the Sequim Lavender Festival in the Park, lavender farm festivals and events, and community events, is the premier lavender celebration in the country and draws approximately 30,000 visitors from all over the world for the three day event.

The Highway 101 bi-pass opened in 2000 taking drivers along the south side of the City instead of down Washington Street, the City’s main arterial. While local merchants feared this would divert business from their stores, the reduced traffic actually made it easier for patrons to get to their desired location. The face of Sequim changed dramatically in the beginning of the 21st Century with the development of a regional retail center at the west end of the City. Housing developments and real estate boomed until the 2008 recession began.



A new Civic Center, housing the Police Department, City Hall, and a Community Plaza was designed and constructed between 2013 and 2015. The new facility brought most City services under the same roof for the first time in decades. The facility cost $14.5 million and was financed by a Sequim voter approved .1% Public Safety Tax, which helps to pay a portion of the Police Station, $10.4 million in municipal bonds were sold in 2013 to pay for construction, and $3 million in utility bonds were sold to pay for the utility portion of the building. The Civic Center received a Gold Certificate from Leadership in Energy and Environmental Design (LEED) in 2016.

Sequim saw its largest population growth through the early part of the 21st century and has grown from 4,334 residents in 2000 to 8,200 in 2022.

Local Economy

The economy in Sequim has grown along with its population and has diversified from an agricultural base to become a regional retail center, a nucleus for medical and community services, and an internationally recognized tourism destination. There are currently 1,623 active business licenses in the City of Sequim, representing a 34% increase from 2013, when the City began using the Department of Revenue's Master Business License database.

Regional Retail



The retail economy in Sequim began its major expansion with the 2003 announcement that Walmart was building a store on the west end of the City. The store opened in October 2004 and expanded in 2012 by adding a full grocery. After the opening of Walmart, the west end of Sequim quickly developed into a regional center for national brand stores. Home Depot, Costco, Sportsman's Warehouse, Petco, Starbucks, Discount Tires, Mattress Firm, Michaels, and Ross Dress for Less are all located within close proximity, making Sequim the regional retail center for the Olympic Peninsula.

In addition to national brand retailers, Sequim enjoys a vibrant, walkable downtown core, which serves as the cultural and civic heart of the Sequim-Dungeness Valley. Filled with unique family-owned shops that offer locally produced products as well as antiques, and specialty items, downtown Sequim is a welcoming attraction for local residents and tourists. The downtown core has an active merchant group who work together to develop programs and events to enhance the experience of visiting downtown. Local restaurants, coffee shops, and wine tasting rooms bring diversity and offer hospitality for visitors. Recognizing the importance of a healthy downtown area to the continued success of the City, the Sequim City Council adopted a Downtown Plan in July of 2011 which provides a strategic guide for the growth, development, and visual style of the area. Since the plan's adoption, refinement has been made to the relevant zoning codes to ensure development remains consistent with the plan's vision. Additionally, a streetscaping program to establish color schemes and standards for street furniture and signage has been developed and was implemented in the summer of 2013.

Retail sales are an important component of the City of Sequim economy providing between 60 – 67% of the sales tax annually.



Medical Services

In response to the needs of a growing population, the medical industry in Sequim has expanded over the past decade to provide state of the art services to local residents. Olympic Medical Center, located in the City of Port Angeles 15 miles west of Sequim opened the Olympic Medical Center Physicians Specialty Clinic in Sequim in 2002. The clinic provides services in the areas of cardiology, gastroenterology, neurology, pulmonary medicine, sleep medicine, urology, and critical care. Through the Olympic Medical Cancer Center in Sequim, local patients have full access to the world-renowned therapies developed at the Fred Hutchinson Cancer Research Center, University of Washington Medicine, and the Seattle Children's Hospital. The Olympic Medical Center also operates an orthopedic clinic, medical imaging center, and a walk-in clinic in Sequim.

In addition to the services provided by the Olympic Medical Center, Sequim is home to a wide range of medical services including primary care physicians, dental care services, and vision care services for the whole family.

The Jamestown S'Klallam Tribe opened the Jamestown Family Health Clinic in Sequim in 2002, renting offices from Olympic Medical Center. The Jamestown Family Health Clinic moved to its current location in 2010, expanding capacity to meet the needs of the growing retirement population in Sequim. The clinic is open to non-tribal community members as well as Jamestown S'Klallam Tribal citizens. Services offered include: family practice, preventative care, geriatric care, chronic disease management, women's health, annual wellness visits, pharmacist consultation, behavioral health counseling, anticoagulation management, diabetes management and minor surgery.

The growing medical industry in Sequim enhances the livability of the City for residents of all ages and provides a growing number of family wage jobs to the support the local economy.

Tourism

Tourism is an important component of the City of Sequim's economy. There are over 360 hotel rooms in the city, as well as bed and breakfast facilities, vacation rental homes, and recreational vehicle parks offering visitors a wide range of lodging choices for their stay. Local restaurants and many retail establishments benefit from tourists that visit Sequim throughout the year. In addition to bringing outside dollars into the local economy, accommodations and food services account for between 10% and 15% of Sequim's sales tax.

Surrounded by the natural beauty of the Olympic Mountains to the south, the waters of the Strait of Juan de Fuca to the north, and Sequim Bay to the east, outdoor enthusiasts are drawn to Sequim for hiking, boating, and fishing. The 130 mile long Olympic Discovery Trail runs through the City of Sequim and is a destination for bikers, walkers, and runners.



Sequim is most well-known on a national and international level for the family-owned farms that grow the herb lavender. Each year the Sequim Lavender Weekend, home of the Sequim Lavender Festival in the Park, lavender farm festivals and events, and community events, draws approximately 30,000 visitors for the three days of festivities. Thousands of other tourists visit Sequim throughout the summer months while the lavender is in bloom and during the harvest season.



Sequim is also host to the Sequim Irrigation Festival. Now in its 131th year, it is the longest running community festival in the state of Washington. The events take place the first two weekends in May and include Family Fun Days, Innovative Arts and Crafts Fair, Fun Run, and the Grand Parade. The Sequim Irrigation Festival is staffed entirely with volunteers. Over a hundred people are involved in the making of the Irrigation Festival. Individuals and businesses within Sequim contribute money, goods and services to help put on the festival.

The Sequim Sunshine Festival was introduced in 2020 to celebrate one of Sequim's best-known features – Sunshine. The festival celebrates the end of winter and the coming of the spring and summer seasons. The Sun Fun Color Run and illuminated drone show have become festival favorites. The festival was reduced and modified in 2021 to ensure a safe event in the middle of the COVID-19 pandemic but returned with a full festival in 2022. Plans are currently underway for 2026.



The Olympic Game Farm is located just outside of the city and is home to many species of animals, including many veterans of the film industry. The farm worked exclusively for Walt Disney Studios for 28 years and was used as a film location for many popular productions including "Charlie the Lonesome Cougar", "The Incredible Journey", "White Wilderness", and the "Grizzly Adams" television and movie series. Visitors can take a self-guided driving tour and feed animals from their cars. National media attention has been given to the Kodiak bears that will wave to visitors in the hopes of getting a rewarding treat.

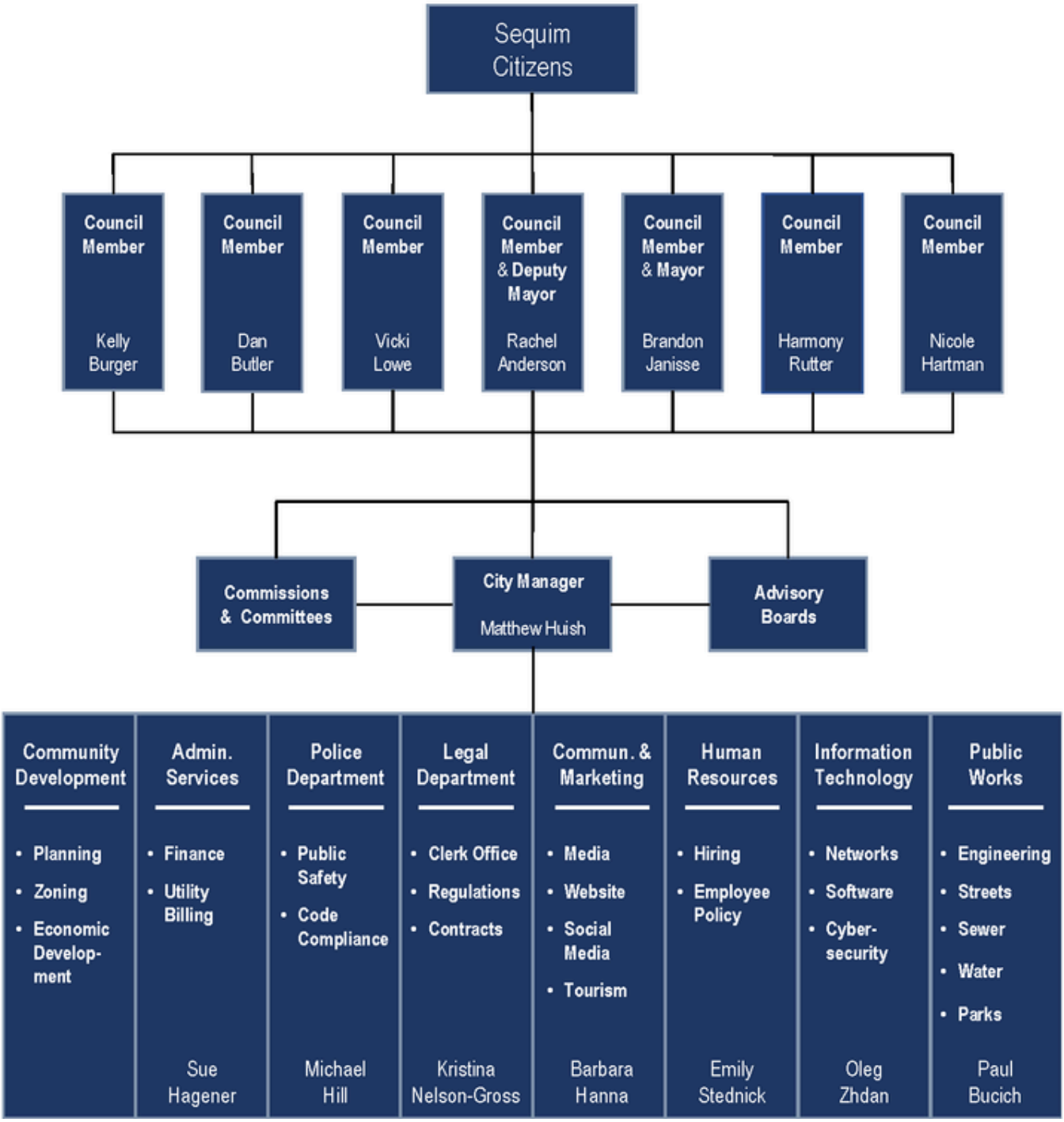
The Dungeness Spit is part of the Dungeness National Wildlife Refuge. With over 250 documented species of birds, as well as land and marine mammals, is an international attraction for bird and wildlife enthusiasts. The 5.5 mile spit is the longest natural sand spit in North America. At the end of the spit is the New Dungeness Lighthouse where tours are available.

With Sequim's close proximity to the Seattle-Tacoma metropolitan areas, it is an easy weekend destination as well as a desirable, central place to stay for tourists visiting the Olympic National Park, the city of Fork made famous by the "Twilight" books and movies, and the Victorian seaport of neighboring city, Port Townsend.

Community Services

The City of Sequim is home to the many essential community service agencies that serve the population of the Sequim-Dungeness Valley. The Sequim School District delivers kindergarten through grade 12 education for more than 2,700 students. The Sequim Library is part of the North Olympic Library System. In addition to its collection of over 55,000 books and videos, the library makes available community meeting rooms and computers for public use. The City of Sequim is served by Clallam County Fire District No. 3, which houses its headquarter office in the city and provides emergency and non-emergency response services. The Sequim Senior Center provides a community focal point for the area's senior population and offers support and training as well as social activities. The Port of Port Angeles focuses on economic development in Clallam County and operates the John Wayne Marina on Sequim Bay. The marina was constructed in 1982 on 22 acres of land donated by the John Wayne family and was named "Best of the West" for small marinas by SEA Magazine. Additionally, two Rotary Clubs, the Lions Club, Soroptomist International, and Elks Club serve the City and the community through special projects and support of local charities.

CITY OF SEQUIM



Council/Manager Form of Government

COUNCIL

Council Position 1	**KELLY BURGER**
Council Position 2	**DAN BUTLER**
Council Position 3	**VICKI LOWE**
Council Position 4	**RACHEL ANDERSON, DEPUTY MAYOR**
Council Position 5	**BRANDON JANISSE, MAYOR**
Council Position 6	**HARMONY RUTTER**
Council Position 7	**NICOLE HARTMAN**

BUDGET MANAGERS

CITY MANAGER	**Matthew Huish**
Information Technology Director	Oleg Zhdan
Director of Community Development	
Finance Director	Sue Hagener
Chief of Police	Michael Hill
City Attorney	Kristina Nelson-Gross
Communications & Marketing Director	Barbara Hanna
Public Works Director	Paul Bucich
Human Resource Director	Emily Stednick

STAFF

ADMINISTRATIVE SERVICES

Accounting Manager	Robert Kellso
Finance Project Manager	Becky Erskine

CITY ADMINISTRATION

Human Resources Analyst	Marta Johnson
City Clerk	Heather Robley
Paralegal	Erika Hamerquist
Records Officer / Risk Analyst	Tellina Sandaine
Marketing Coordinator	Patsene Dashiell

POLICE

Deputy Police Chief	Jonathan Southard
Support Services Supervisor	Tiffany Banning

PUBLIC WORKS

Deputy Public Works Director/City Engineer	Nick Dostie
Operations Manager	Ty Brown
Business Assets Senior Manager	Amy Dougherty
Parks and Events Manager	Hannah Merrill
Utilities Manager	John Christenson
Resource Analyst	Meggan Uecker
Arts Coordinator	Sarah Hurt

CATEGORY 2 CODE CITY, CLASSIFIED UTILITIES

2020 OFFICIAL CENSUS 8,024

2025 OFM ESTIMATE 8,410

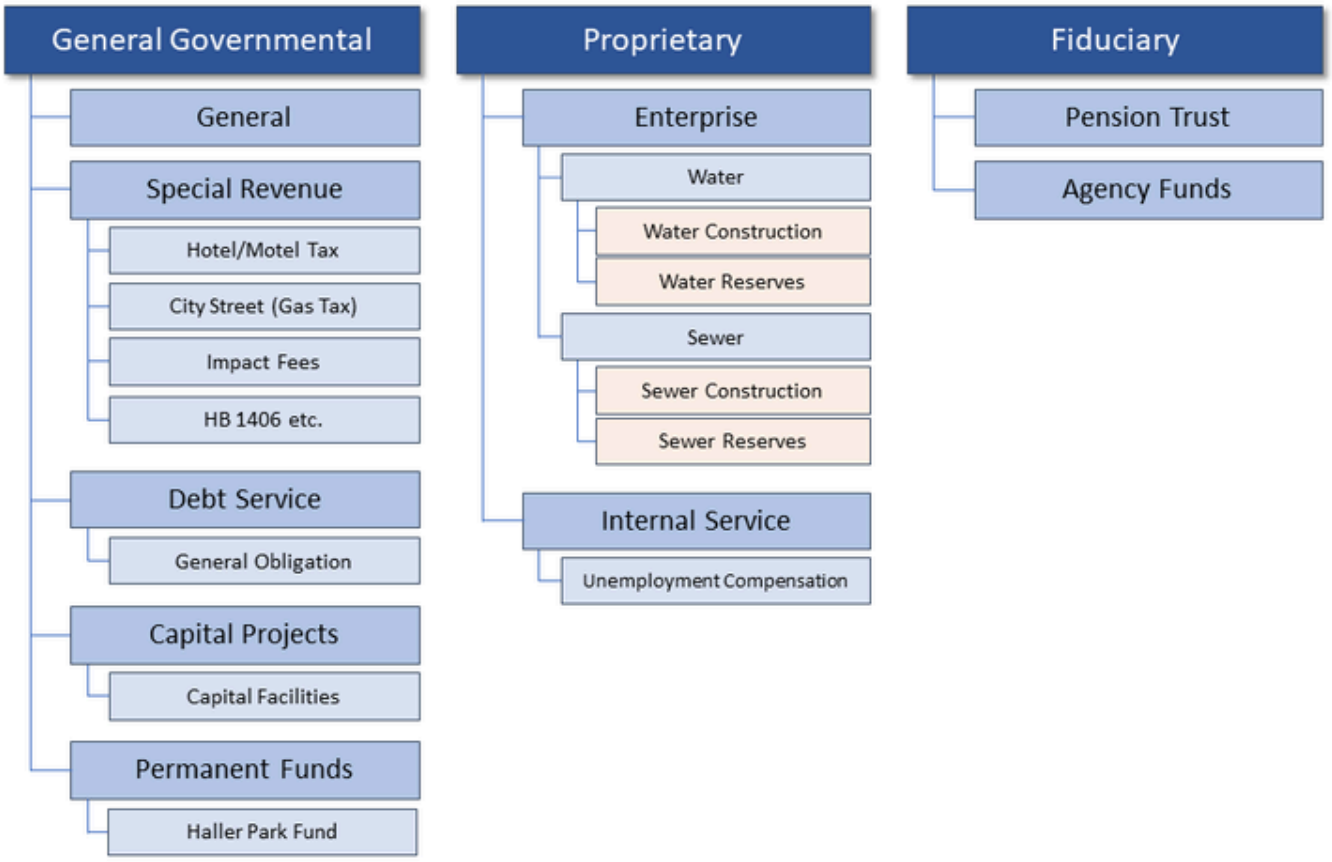
Fund Structure

The City of Sequim reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditors' Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund types are used:

Fund Types



Governmental Fund Types:

General Fund
This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds
These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds
These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds
These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets

Permanent Funds
These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's government programs.

Proprietary Fund Types:

Enterprise Funds
These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. An enterprise fund is legally required to recover the cost of those services, including related debt service and capital costs, through user charges.

Internal Service Funds
These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary Funds
These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. In accordance with state law, the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Department Fund Relationship

Department	Division	Sub Fund	Associated Fund
Council			
		City Council	001-General Fund
City Administration			
	City Administration Organization		
		City Clerk	001-General Fund
		City Manager	001-General Fund
		City Attorney	001-General Fund
		Communications	001-General Fund
		Human Resources	001-General Fund
		IT (Information Technology)	001-General Fund
		Criminal Justice Services	001-General Fund
	City Administration Special Funds		
		Hotel/Motel	115-Lodging Tax Hotel/Motel
Administrative Services			
	Administrative Services Department		
		Finance	001-General Fund
		Non-Departmental	001-General Fund
	Administrative Services -Other		
		Affordable Housing HB 1406	112-Affordable Housing
		Development Reserves	113-Development Reserves
		REET	150-Real Estate Excise Tax
		Arts & Culture-Arts Commission Programs	160-Arts & Culture-Arts Commission
		American Rescue Plan Act	180-American Rescue Plan Act
		Rainy Day Fund	199-Rainy Day Fund
		Debt Service Fund-City Hall	206-Debt Service Fund-City Hall
		Equipment Reserve	164-Equipment Reserve
		Trust and Agency Funds	Trust, Agency & Permanent Funds
Community and Economic Development			
	Community Development		
		Growth Planning / Development Services	001-General Fund
Police			
	Public Safety Operations		
		Police Department	001-General Fund
	Public Safety Restricted		
		Police Restricted	120-Police Restricted, 121- Police Asset Seizure
Public Works			
	Public Works Operating		
		Facilities Maintenance	001-General Fund
		Park Operations	001-General Fund
		Events	001-General Fund
		PW Administration	001-General Fund
		Street Operations	101-Street Unrestricted
		Storm Water Operations	107-Stormwater Unrestricted
		Water Operations	401-Water Unrestricted
		Sewer Operations	402-Sewer Unrestricted
	Public Works Capital		
		GIS/Engineering	001-General Fund
		Streets Restricted	111-street Restricted
		Storm Water Restricted	117-StormWater Restricted
		Parks Restricted	140-Parks Restricted
		Capital Facilities Fund	306-Capital Facilities Fund
		Water Restricted	411-Water Restricted
		Sewer Restricted	422-Sewer Restricted

Bold	**City Employees**

Basis of Budgeting

The City of Sequim adopts ***annual*** appropriated budgets for all its governmental and proprietary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end (December 31).

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting, which is cash basis, and in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Budgeted amounts are authorized to be transferred within a fund or within line items within departments. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the Sequim City Council.



Financial Policies

The financial policies of the City of Sequim are established by the City Council. The policies are designed to provide guidance to all stakeholders, whether they are directly involved in financial processes, internal control oversight, or any financial transaction. Financial policies are intended to serve as a blueprint to achieve fiscal stability required to accomplish the City's Strategic Plan, all other comprehensive and master plans, and City Council goals. The City Council sets forth the authorities, responsibilities, and accountability requirements of those participating in the operations of City government at all levels of the organization and endeavors to:

- Set forth financial standards.
- Reduce financial risks to withstand the ups and downs of local and regional economic environments.
- Maintain appropriate financial capacity for present and future levels of service.
- Ensure the legal use of financial resources through an effective system of internal controls.
- Provide financial transparency to the public.

General Financial Goals

- Ensure the financial integrity of the City.
- Manage the financial assets in a sound and prudent manner.
- Improve detailed financial information for decision makers at all levels:
    - Policy makers as they contemplate decisions that affect the City on a long-term basis.
    - Managers as they implement policy on a day-to-day basis.
- Maintain and further develop programs to ensure the long-term ability to pay all operational and capital costs necessary to provide the level and quality of service required by the citizens.
- Maintain a spirit of openness and transparency while being fully accountable to the public for the City's fiscal activities.

Primary Budget Responsiblity

The City Council has final responsibility for approving the annual Operating Budget and appropriating funding for the capital needs of the City. The City's budget is adopted at the fund level and *monitored* at the department level.

The City Manager and the Finance Department have the primary responsibility for bringing the budget forward for Council consideration. Department Heads have the primary responsibility for proposing programs, recommending funding levels, analyzing position expense distributions and formulating budget proposals for implementing service programs in accordance with established City Council goals and directives. The City Manager and Department Heads are responsible for the overall management of their respective budgets through monitoring, identifying and correcting any budgetary problems as they arise. The Finance Department will assist the Department Heads as needed.

At the direction of the City Manager, the Finance Department coordinates the overall preparation and administration of the City's budget in compliance with applicable State of Washington statutes. The Finance Department provides the budget calendar and revenue budget estimates, assists department staff in identifying budget problems and formulating alternative solutions, and prepares and distributes the final budget documents.

Budget Development Policy

I. PURPOSE

The purpose of this policy is to help guide the budget development process. There may be differences between this policy and the budget based on the uniqueness of each year's budget.

The City allocates scarce resources to programs and services through the budget process. The budget process is more than balancing revenues and expenditures one year (two year if biennium) at a time. In addition to being a short-term operational plan, it is the primary means for implementing the City's strategic plan. The budget authorizes the level of City services for the year (or biennium), as defined by the City's goals, priorities and objectives and adjusted for the constraints identified in the long range financial plan.

The link between the strategic plan, long range financial plan and the budget can be challenging. Strategic planning sets overall direction for the City, defining what is to be accomplished through its use of resources by identifying the City's goals, priorities, and objectives. The long range financial plan positions the City to remain effective over the long term.

II. POLICY – GENERAL

1. Budget at Fund Level: Budget adoption by the City Council shall be at the fund level. Any changes in appropriations at fund level require City Council approval.
2. Balance Ongoing Revenues with Ongoing Expenses: Current revenues, including unencumbered fund balances should be sufficient to support current expenditures. Although Fund Balance is considered revenue, its use in balancing the budget should be restricted to special situations, such as one-time expenditures or carry-over of a prior year funded project (see Reserves/Fund Balance Policy for more guidance).
3. City Council Goals Identified in Annual Workplan: The City Council identifies specific goals as part of the City's workplan. Departmental budgets should include adequate resources to accomplish those goals in the expected timeframes.
4. Municipal Service Levels: The City Council will establish municipal service levels and priorities prior to and during the development of the preliminary budget. The following will be taken into consideration to determine the proper levels of service:
    a. Maintain Quality Service Programs: If expenditure reductions are necessary as a result of changing economic status, selective service elimination is preferable to across the board cuts which can result in poor or marginal quality programs.
    b. New Programs and Services: Adding new programs and services that require additional resources should be limited to the extent that they can be reasonably funded over the near-to-long-term given the current revenue stream.
        i. Funding New vs Existing Programs: If new sustainable funding is not available, then new or enhanced services will compete directly with maintaining existing programs in determining the appropriate allocation of resources. This will provide the best mix of services to citizens and keep pace with the changing needs of the community.
        ii. Adding Fee for Service Revenues: Where practical, new services that provide private benefit should be supported by new fees instead of increasing general City taxes.
        iii. Programs with Dedicated Funding: Programs that are funded through a dedicated revenue source (i.e., grants or other non-tax revenue), that meet the goals of the City Council, will receive priority consideration, as long as ongoing funding is addressed.
5. Cost Allocation: The full cost of providing central support services shall be allocated to other funds and capital projects, and if appropriate to grants and specific programs. Indirect costs are calculated for General Fund Departments, but are not allocated. These indirect costs will be considered in evaluating the total cost of programs.

a. Meet Federal Indirect Rate Requirements: The cost allocation plan should meet Federal requirements (OMB Circular A-87) to allow for indirect cost recovery on Federal and State grants.

II. POLICY – REVENUES

1. Baseline Revenues: Significant revenues that contain variable components related to economic activity, such as development, or other one-time, non-recurring or unusual items should be identified in order to determine baseline revenues. The variable component of revenues should not be used for ongoing operating programs and services.
    a. Property Tax: Tends to be stable; contains an unpredictable component for new construction and annexation; can be impacted by zoning changes and assessed valuation changes
        i. Variable Component: new construction and annexations in year added to the tax roll (tax is based on levy rate instead of 1% increase)
    b. Sales Tax: Minimum base tends to be stable; contains an unpredictable component related to economic changes, particularly the "boom and bust" housing cycles
        i. Variable Component: consider construction sales tax above 10 year average; other sales tax above 3% growth; may need to adjust based on economic conditions or changes in tax base such as new stores or the closing of stores
    c. Utility (B&O) Tax: Tends to be stable; subject to changes in utility rates, usage, conservation, regulations
        i. Variable Component: not significant; no exclusions unless specific situations warrant an exclusion
    d. Interfund Service Charges: Minimum base tends to be stable; contains an unpredictable component related to capital projects
        i. Variable Component: capital projects above 5 year average; may need to adjust based on unusual large projects or economic conditions
    e. Development Related Fees: Minimum base is difficult to determine, large unpredictable component related to "boom and bust" housing cycles
        i. Variable Component: consider amounts above 10 year average or 3% growth based on economic conditions
    f. Interest Earnings: Interest on minimum fund balance may be included for baseline revenues.
    g. Potential New Revenues: Proposed new revenues that are early in the Council review process are typically not included in the budget. Public input may change the process and revenues may be difficult to quantify. If Council provides a quantifiable commitment to adopt new revenues they could be included in the budget.
        i. Unknown Component: excluded unless Council provides quantifiable commitment
2. Limit Use of One-Time Revenues: Revenues that are not predictable should be identified and should not be used for ongoing operating program and services.
    a. Types of One-time Revenues: This includes significant revenues from sales of assets, bond refunding savings, infrequent intergovernmental revenues, grants, and so forth. It also includes the variable component of taxes and other revenues.
    b. Use of One-Time Revenues: The use of significant one-time revenues should be set aside in reserves or restricted to non-recurring expenses, such as, research/analysis projects, expenses caused by transition, startup costs, capital projects, debt retirement, and so forth.
3. Revenue Diversification: The City will strive for a diversified mix of revenues to handle fluctuations in revenues and to better distribute the cost of providing services.
    a. Analysis Factors: When evaluating diversification, the following factors should be considered:
        i. Balance amongst taxpayers and ability to diversify tax base such as changes in zoning
        ii. Sensitivity of revenues to changes in economic cycles and rates
        iii. Fairness of the tax or fee
        iv. Regulations or changes in state shared revenue distributions
        v. Impact on economic growth
        vi. Other, such as administrative aspects
    b. Taxes Should be Balanced: When City taxes are changed (increased, decreased, extended) the following factors should be considered:

i. Stability of tax source over its expected life; suitability for pledge against future debt if that is part of the intent
ii. Spread of tax burden throughout the City's tax base through a broad array of taxes
iii. Tax impact to both residential and business taxpayers and its affect on future growth
iv. Investigation of mitigation for inequities or hardships, such as low-income deferrals, rebates or exemptions

4. Unrestricted Revenues Should Remain Unrestricted: Unless otherwise stated specifically by City Council, unrestricted resources should not be earmarked for specific purpose in the General Fund. This will preserve the ability of the Council to determine the best use of available resources to meet changing service requirements.
5. Interfund Services (Cost Allocations): Indirect costs include general management, facility and equipment costs, and operational costs that are pooled. These costs are accounted for in central support service centers and should be fully allocated to funds that benefit from the services, such as Enterprise Funds, Capital Projects and selective Special Revenue Funds or specific programs where appropriate. Grant applications should include indirect costs where allowed. Indirect costs of General Fund operating units will be calculated for use in evaluating program costs but will not be allocated.
6. Fee for Service Revenues: As much as reasonably possible, City services that provide private benefit or service limited interests should be supported by fees and charges in order to provide maximum flexibility in use of general City taxes to meet the cost of services of broader public benefit.
    a. Recover Full Cost: Fees should be set to recover full costs, including all direct costs and indirect costs (capital costs, department overhead and city-wide overhead (cost allocations)).
    b. Justify Subsidy: Charging less than full costs results in using general city taxes to subsidize the cost of the service. A subsidy must be justified, and may be considered if it meets other City interests and objectives, such as remaining competitive. Intentional subsidies will be documented and periodically reviewed with City Council.
    c. Cost Studies: Departments that impose fee for service charges should periodically prepare and update cost-of-service studies. These studies may be performed and documented internally. An external consultant may be required for complex studies or where fee surveys are not available or where fees may be contested.
    d. Human Needs Type Services: Exception may be considered for human needs type services to persons with limited ability to pay.
7. Intergovernmental Revenues: The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues and grants. However, this revenue should be treated as temporary, uncertain or unpredictable revenue.
    a. Not for Ongoing Basic Services: Typically intergovernmental revenues and grants will not be used to fund ongoing basic service needs. If grants are for new, enhanced or discretionary services, then the service may need to be reduced or eliminated when the funding ends. Before accepting a grant, consideration should include not only the cost/benefits over the life of the grant, but the cost of interruption in service when the grant ends.
    b. Capital Projects Consistent with Plan: Grants for capital improvements should be for priority projects or projects consistent with the capital improvement plan. The project should consider resources to support ongoing maintenance, operating, and replacement costs. The grant application should attempt to recover all costs, including ongoing maintenance, operating costs and replacement costs, as well as indirect costs. If a city match is required, this should be reviewed in light of other competing projects.

II. POLICY – EXPENSES

1. Baseline Expenses: Significant expenses that contain variable components related to economic activity, such as development, and other one-time or unusual items, should be identified in order to determine baseline expenses. The variable component of expenses may be funded by associated variable revenue or by one-time revenues and reserves (see Reserves/Fund Balance Policy).
    a. Include Maintaining Facilities and Equipment: Maintenance of facilities, technology infrastructure, operating equipment and vehicles, as well as the planned replacement of such assets should be included as baseline

operating expenses. The amount included as baseline operating expenses will be determined by the Capital Improvement Plan Policy.

i. Lowest Life Cycle Costs: When practical, resources should be allocated for selective preventative investments that can be made to avoid even larger costs in the future.

ii. Funding Continuous Replacement: The use of short-term financing or lease/purchase arrangements should be minimized because of the ongoing requirement for operating equipment. (See Capital Improvement Plan Policy, Debt Management Policy.) The amount necessary to fund equipment reserves will take into account both financing and transfers to Equipment Reserves.

b. Include Interfund Operating Transfers: Transfers to operations, such as Street Unrestricted, should be included as baseline operating expenses if General Fund is a significant revenue source for another operating fund.

c. Exclude Interfund Capital and Reserve Transfers: Transfers for capital projects or to replenish reserve funds should be excluded from baseline operating expenses and would be funded by one-time or excess revenues.

d. Exclude Community Investments: Discretionary investments for community/public benefit are excluded from baseline operating expenses. Funding from one-time revenues would be decreased if total baseline revenues fall or baseline expenses increase by 5% or more.

i. Funding Level Health & Human Services: The amount of funds available will fluctuate based on the City's financial situation. Council may want to consider a separate funding policy based on a percent of sales tax revenues, such as 2%, or an amount per capita, which would be reviewed along with the funding criteria.

ii. Funding Level Community Service Contracts: The amount of funds available will fluctuate based on the City's financial situation and service needs. Funding will be included in the City Manager's proposed Budget based on criteria for similar expenses. They will be included if they address services or facilities that support the city's mission and are a high priority compared to other options and proposed expenditures.

2. Personnel: This is the most significant operating expense.

a. Competitive Compensation: Salaries and benefits should be comparable to cities and private sector employers that are within the same labor market and with other cities or private sector employers that offer comparable quality services in order to attract and retain high quality staff.

b. Union Contract Negotiations: If a collective bargaining agreement is, or will be, under negotiations, then a specific amount will not be included in the budget for potential wage adjustments resulting from the negotiation, other than continuing the basis for a COLA adjustment, except a negative COLA will not be budgeted. This is to protect the City from any claims of not "bargaining in good faith". Funding for unknown contract terms must be considered in balancing ongoing revenues with ongoing expenses.

c. Fluctuation in Staffing Requirements: Additional personnel resources needed for large projects or responding to a "housing" cycle boom may be retained on a temporary, term (non-permanent employee) or contract basis.

3. Technology Investments that Forestall Adding Permanent Staff: Recognizing that personnel related expenditures represent the largest portion of the City's budget, methods to increase efficiency and effectiveness of the delivery of City services through technology improvements should receive priority funding if it can forestall the addition of permanent staff.

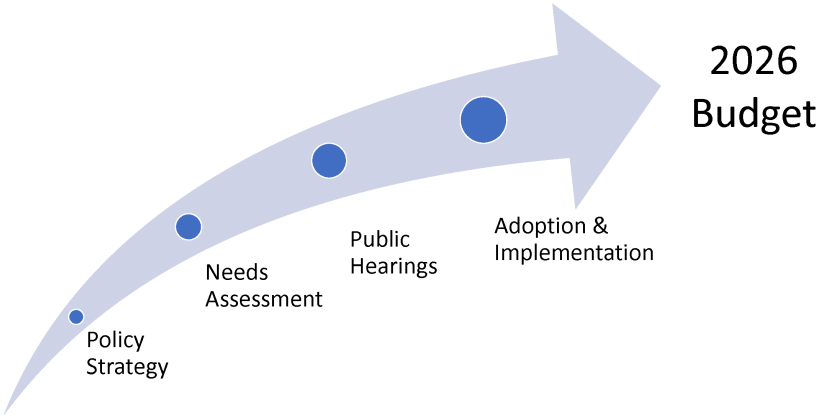
4. Contingency: The budgeting for contingencies will be separately identified within each fund. An amount for General Fund contingencies will consider amounts across all departments in which only 50% of the costs are included, since all contingencies are not expected to occur.

III. PROCEDURE

1. City Council: The City Council has final responsibility for approving the annual Operating Budget.
2. City Manager: The City Manager oversees the budget development process and proposes the preliminary budget to City Council.
3. Departments: The Department directors under the guidance of the City Manager are responsible for proposing programs, recommending funding levels, and formulating budget proposals for implementing service programs in accordance with established goals and directives.

4. Finance: The Finance Department is responsible for coordinating the overall preparation and administration of the City's budget in compliance with applicable State of Washington statutes governing local government budgeting practices.
    a. The Finance Department provides revenue budget estimates, assists department staff in identifying budget problems and formulating alternative solutions, and prepares and distributes the final budget document.
    b. The operating budget is classified and segregated according to a standard classification of accounts as prescribed by the State Auditor.
5. Public Hearings: The Council will hold public hearings as required and approve operating and capital budgets prior to the end of the fiscal year in accordance with State law.
6. Quarterly Reporting: The Finance Department will maintain a system for monitoring the City's budget performance. This system will provide the City Council with quarterly reports regarding fund level resource collections and department level expenditures.
7. Budget Amendments: Semi-annually budget amendments will be presented in order to address unanticipated needs, emergencies, or compliance with State of Washington budgetary statutes. Budget amendments requiring City Council approval will occur through a process coordinated by the Finance Department. Significant financial issues that need to be addressed between quarterly reports will be provided to Council as warranted.

Budget Development Process



Policy Strategy Activities

Council Planning
6-Year Capital Improvement Plan (CIP Development)
6-Year Transportation Improvement Plan (Public Hearing)
Public Input via Council Meetings & Community Surveys

Needs Assessment Activities

Department Program and Staff Requests
City Manager Review of Requests
City Manager "Budget Scrub"
City Manager Proposed Budget

Public Hearings

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

Adoption & Implementation

Council Adopts Budget

Budget Timeline

- **May 1, 2025**
  Requests sent to all department heads to prepare budget estimates of revenues and expenditures, including assessing personnel needs. Finance Director prepares estimates for debt service and all other estimates.
- **July 11, 2025**
  Budget estimates from department heads filed with the Finance Director.
- **July 24, 2025**
  "Budget Scrub" meeting of all department heads to identify areas of potential savings and to balance operational budgets (department budget assumptions are "scrubbed")
- **September 12, 2025**
  Delivery of 2026 Budget Book to City Council (including access to on-line budget materials)
- **September 22, 2025**
  Presentation of 2026 Budget Overview and proposed 2026 Rates & Fees to Council
- **October 27, 2025**
  Optional: Address Council's 2026 Budget comments, Questions and Concerns
- **November 10, 2025**
  Public Hearing (first reading) - 2026 Budget Public Hearing - 2026 Rates and Fees / 2026 Property Tax Ordinance
- **November 24, 2025**
  Public Hearing (second reading) - 2025 Budget Adoption
- **November 30, 2025**
  Deadline for filing Property Tax Ordinance with Clallam County
- **December 31, 2025**
  Deadline for 2026 Budget Adoption

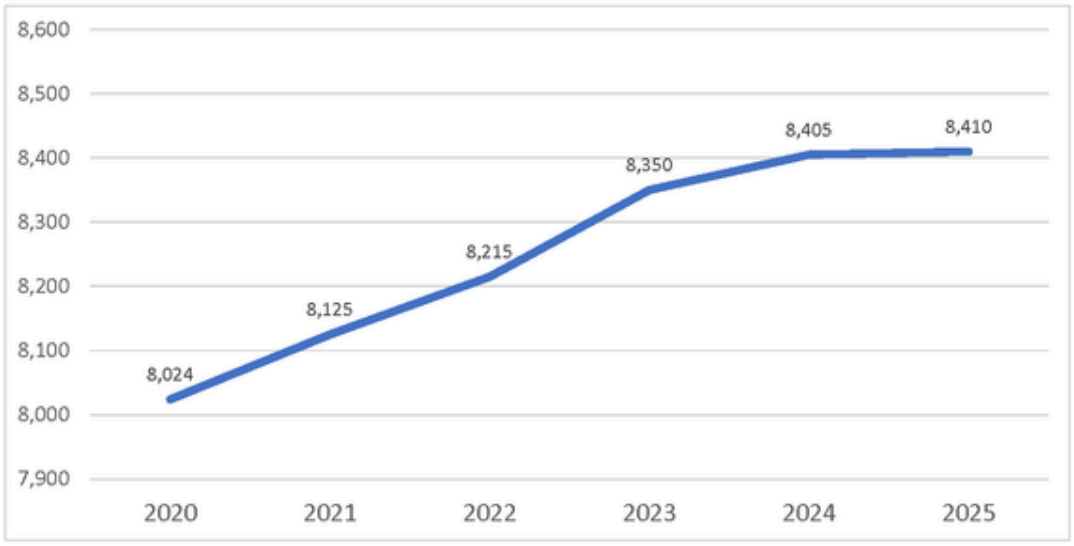
Statutory Budget Timeline - Per MRSC*

Statutory Deadlines for Preparing 2026 City/Town Budgets	
Pre-Budget Items (Spring/Summer 2025)	Council retreat; Adopt/update financial policies; Public hearings for capital facility plan updates; Public forums or community outreach (ex: community priorities); Mayor/manager communicates budget objectives to staff
Sept. 8	Budget request to all department heads
Sept. 8-22	Department heads prepare estimates of revenues and expenditures; Clerk prepares estimates for debt service and all other estimates
Sept. 22	Budget estimates from department heads filed with clerk
Sept. 25	Implicit price deflator calculated *(cities of 10,000+ population only)*
Oct. 1	Clerk provides estimates filed by department heads to mayor/manager showing complete financial program
Oct. 6	Mayor/manager provides council with estimates of revenues from all sources, including estimates prepared by clerk, for consideration of setting property tax levy
Mid-October to mid-November (approx.)	Public hearing on revenue sources including possible increases in property tax
Nov. 2	Mayor/manager prepares preliminary budget and budget message; files with clerk and council
Nov. 1-18 (approx.)	Publish notice of preliminary budget and final hearing
Nov. 1-25 (approx.)	Public hearing(s) on preliminary budget
Nov. 21	Copies of budget available to public
Nov. 30	Property tax levies set by ordinance and filed with county
Dec. 1	Final budget hearing
Dec. 31	Budget adoption deadline

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*Municipal Research and Services Center

Population Estimates



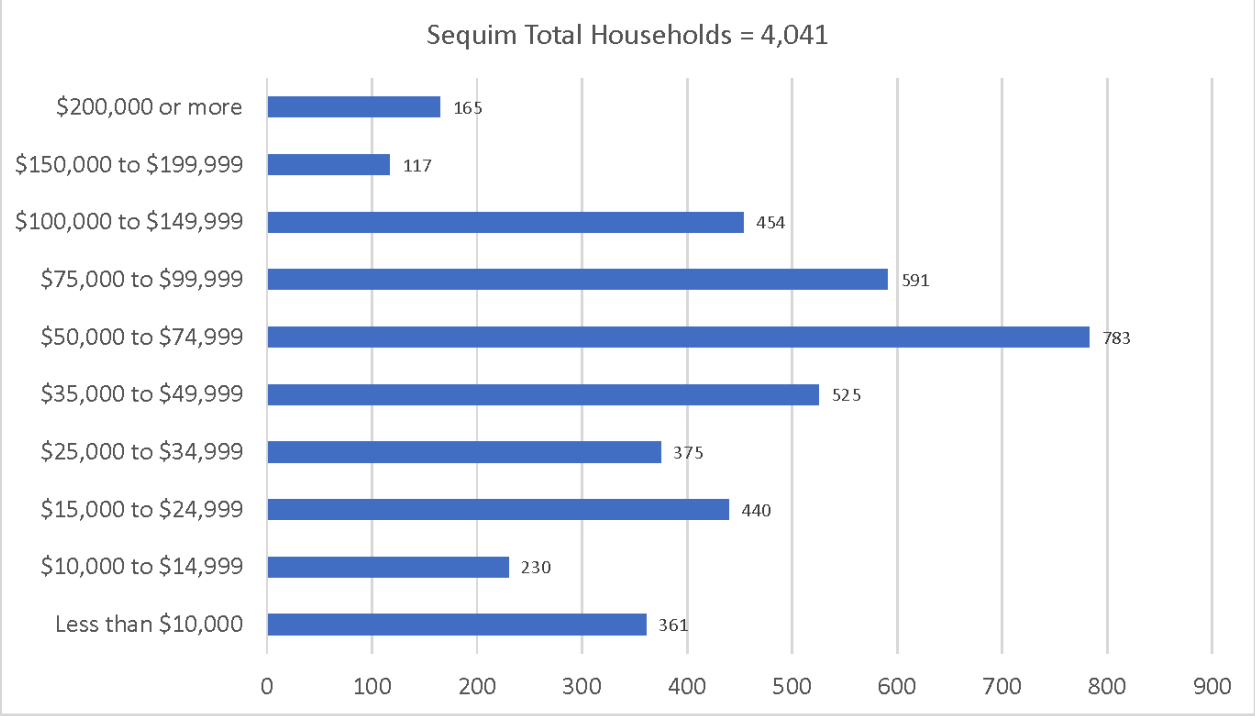
April 1, 2025 Population of Cities, Towns and Counties
Used for Allocation of Selected State Revenues
Office of Financial Management, Forecasting and Research Division

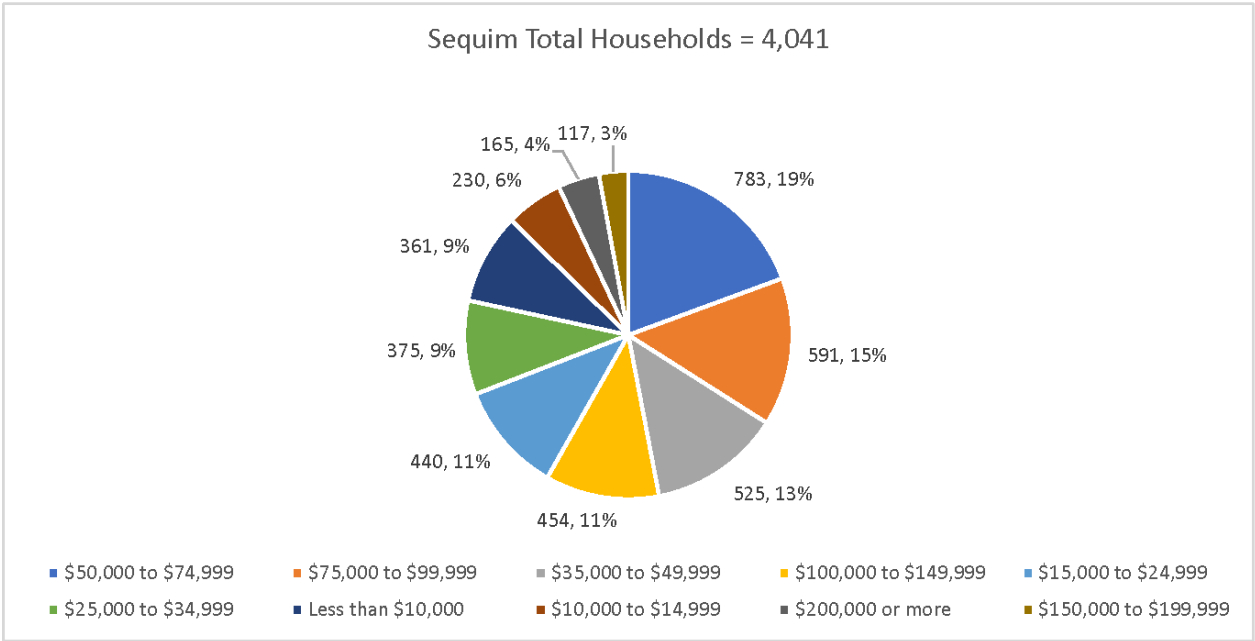
	2020 Census	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
Sequim	8,024	8,125	8,215	8,350	8,405	8,410

Data Source: Office of Financial Management (wa.gov), April 1 official population estimates



Household Income Estimates





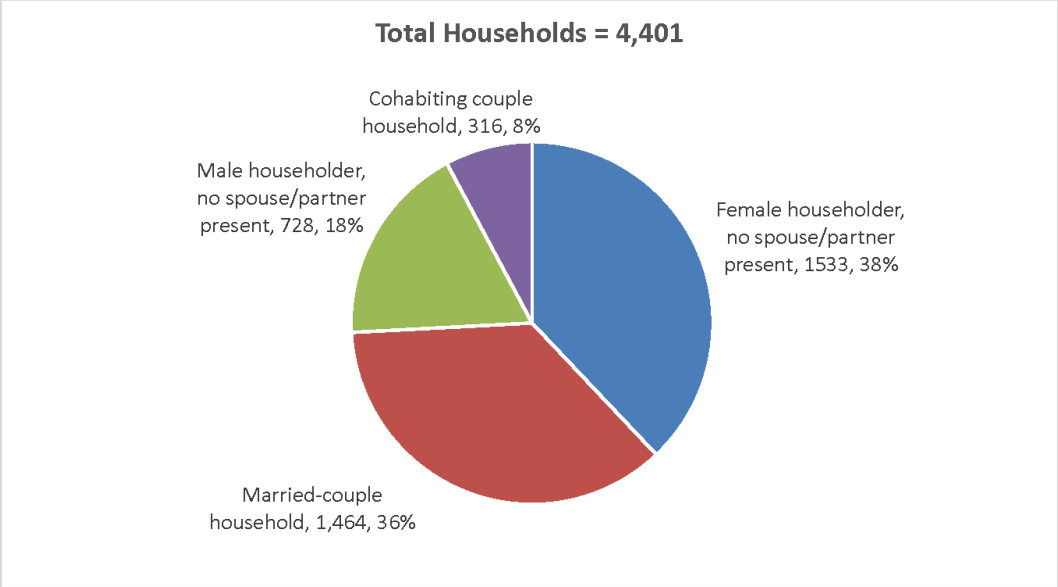
Median household income (dollars) = $52,977

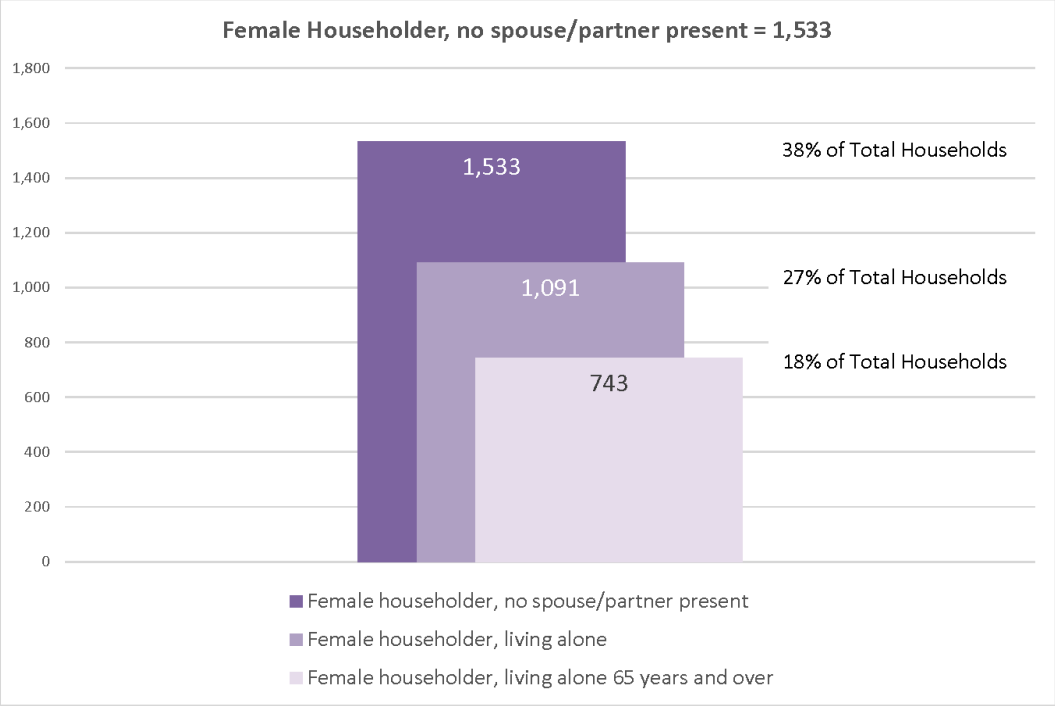
(in 2023 inflation-adjusted dollars)

Data Source: American Community Survey, 2023, ACS 5-Year Estimates Data Profiles

DP03: SELECTED ECONOMIC CHARACTERISTICS - Census Bureau Table

Household Analysis Estimates





18% of Total Households are "Female householder, living alone 65 year and over"

15% of Total Households are "Households with one or more people under 18 years"

55% of Total Households are "Households with one or more people 65 years and over"

Data Source: American Community Survey, 2023, ACS 5-Year Estimates Data Profiles

DP02: SELECTED SOCIAL CHARACTERISTICS - Census Bureau Table

BUDGET PRIORITIES

CITY OF SEQUIM

CITY MANAGEMENT OPERATIONAL GOALS FOR 2026

ENHANCE CUSTOMER-CENTRIC EXPERIENCE: (expand and refine)
Enhance "customer-centric experience" for employees, residents, and businesses by evaluating and re-engineering all touchpoints to increase efficient, exceptional services.

DIGITAL TRANSFORMATION: (leverage data analytics, dashboards, and artificial intelligence)
Continued strategic commitment to "digital transformation" and smart city innovative advancements through state-of-the-art hardware, software, artificial intelligence, and analytical opportunities.

CONTINUOUS PROCESS IMPROVEMENT: (re-evaluating every aspect of operations)
Continued commitment to "process improvement" across all city operations to ensure efficiencies via data-driven decisions and return-on-investment.

COMMUNITY AND ECONOMIC DEVELOPMENT: (stabilize and sophisticate)
Complete the Comprehensive Plan with a focus on managing growth and development across the city while strategically implementing a multi-tier economic development plan to support and enhance business activity.

FISCAL OWNERSHIP: (controlling expenses, leveraging efficiencies)
Managing finances to be in the top percentage of industry standards and ratios. Scrutinize every cost by line-item, justifying returns while eliminating any waste identified.

ALL CITY AND GENERAL FUND OVERVIEW

All City Funds

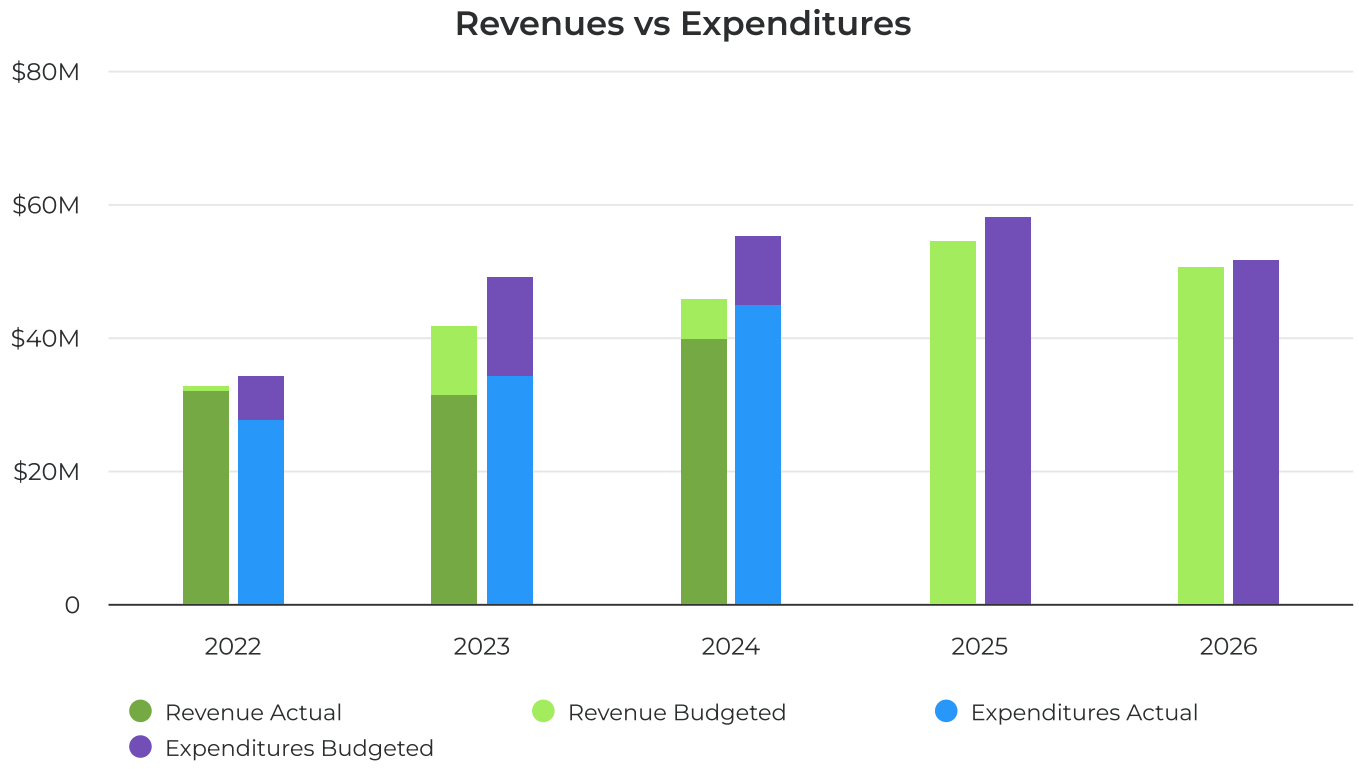
EXHIBIT A: All City Fund Summary

Budget/Actuals/Forecast: Budget
Budget Year: 2026
Fund: All
Sub Fund: All

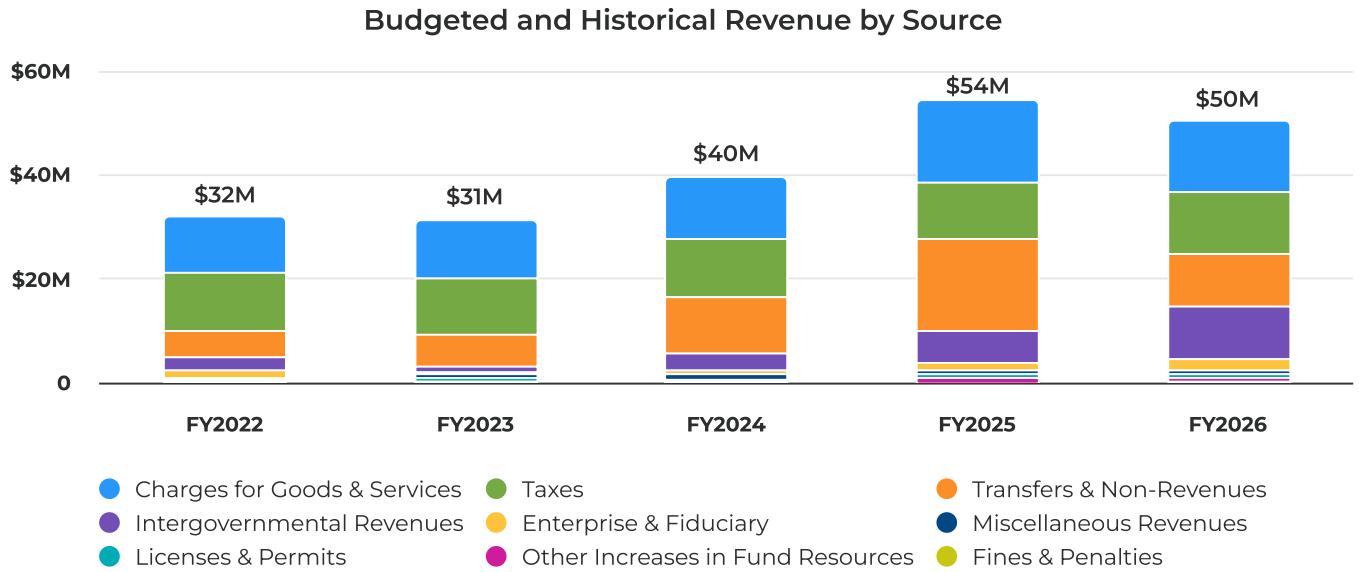
	Beginning Balance Fund	Revenues	Expenses	Surplus/(Deficit)	Ending Fund Balance	
General Fund						
001 - General Fund	3,953,259	13,812,662	13,798,386	14,276	3,967,535	Operating
Special Revenue Funds						
101 - Street Unrestricted	207,148	1,395,412	1,393,408	2,004	209,152	Operating
107 - Stormwater Unrestricted	286,098	172,935	158,303	14,632	300,730	Operating
111 - Street Restricted	1,721,938	6,210,117	6,377,748	-167,631	1,554,307	Restricted
112 - Affordable Housing	169,826	31,604	-	31,604	201,430	Restricted
113 - Development Reserves	-112,217	250,000	250,000	-	-112,217	Restricted
115 - Lodging Tax Hotel/Motel	1,452,064	611,100	605,250	5,850	1,457,914	Restricted
117 - StormWater Restricted	888,844	-	35,295	-35,295	853,549	Restricted
120 - Police Restricted	286,800	556,633	670,805	-114,172	172,628	Restricted
121 - Police Asset Seizure	31,097	20,274	15,000	5,274	36,371	Restricted
140 - Parks Restricted	1,484,503	473,112	565,803	-92,691	1,391,812	Restricted
150 - Real Estate Excise Tax	421,233	705,450	880,000	-174,550	246,683	Restricted
160 - Arts & Culture-Arts Commission Programs	92,784	56,500	56,008	492	93,276	Restricted
164 - Equipment Reserve	2,062,225	882,400	751,500	130,900	2,193,125	Restricted
180 - American Rescue Plan Act	-	-	-	-	-	Restricted
199 - Rainy Day Fund	922,977	20,000	28,750	-8,750	914,227	Restricted
Debt Service Funds						
206 - Debt Service Fund-City Hall	61,704	628,000	615,750	12,250	73,954	Restricted
Capital Funds						
306 - Capital Facilities Fund	720,455	1,392,205	1,900,000	-507,795	212,660	Restricted
Enterprise Funds						
401 - Water Unrestricted	1,023,166	3,293,721	3,293,128	593	1,023,759	Operating
402 - Sewer Unrestricted	2,748,513	5,725,899	5,547,014	178,885	2,927,398	Operating
411 - Water Restricted	2,311,140	6,879,000	6,895,130	-16,130	2,295,010	Restricted
422 - Sewer Restricted	3,405,357	7,102,398	7,579,424	-477,026	2,928,331	Restricted
Trust, Agency & Permanent Funds						
500 - Unemployment Compensation	241,843	-	40,000	-40,000	201,843	Restricted
611 - Flex Benefits - EE Contributions OLD	-	-	-	-	-	Restricted
621 - Police Expendable Trust	7,670	20,000	20,000	-	7,670	Restricted
630 - Flex Benefits - EE Contributions	13,017	60,000	60,000	-	13,017	Restricted
635 - Intergovernmental Agency Fund	12,376	70,000	70,000	-	12,376	Restricted
701 - Haller Park Fund	33,127	440	6,000	-5,560	27,567	Restricted
	24,446,947	**50,369,862**	**51,612,702**	**-1,242,840**	**23,204,107**	
		6,184,400	6,184,400	Transfers In / Out		
		44,185,462	**45,428,302**	**Net of Transfers**		
		2,916,000	2,916,000	InterFund Service Charges*		
		41,269,462	**42,512,302**	**Net Revenues/Expenses w/o Transfers & Interfund Services**		
		24,400,629	24,190,239	Operating		
		25,969,233	27,422,463	Restricted		
		50,369,862	**51,612,702**			

Summary

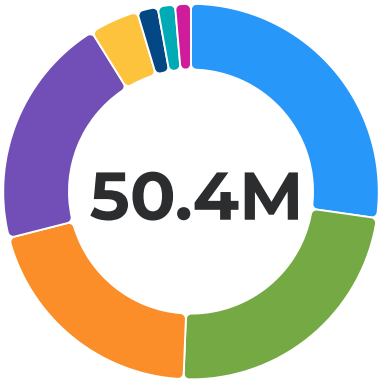
The City of Sequim is projecting $50.37M of revenue in FY2026, which represents a 7.3% decrease from the prior year. Budgeted expenditures are projected to decrease by 11.0% or $6.40M to $51.61M in FY2026.



Revenues by Source: Where Will the Money Come From?



FY26 Revenues by Revenue Source

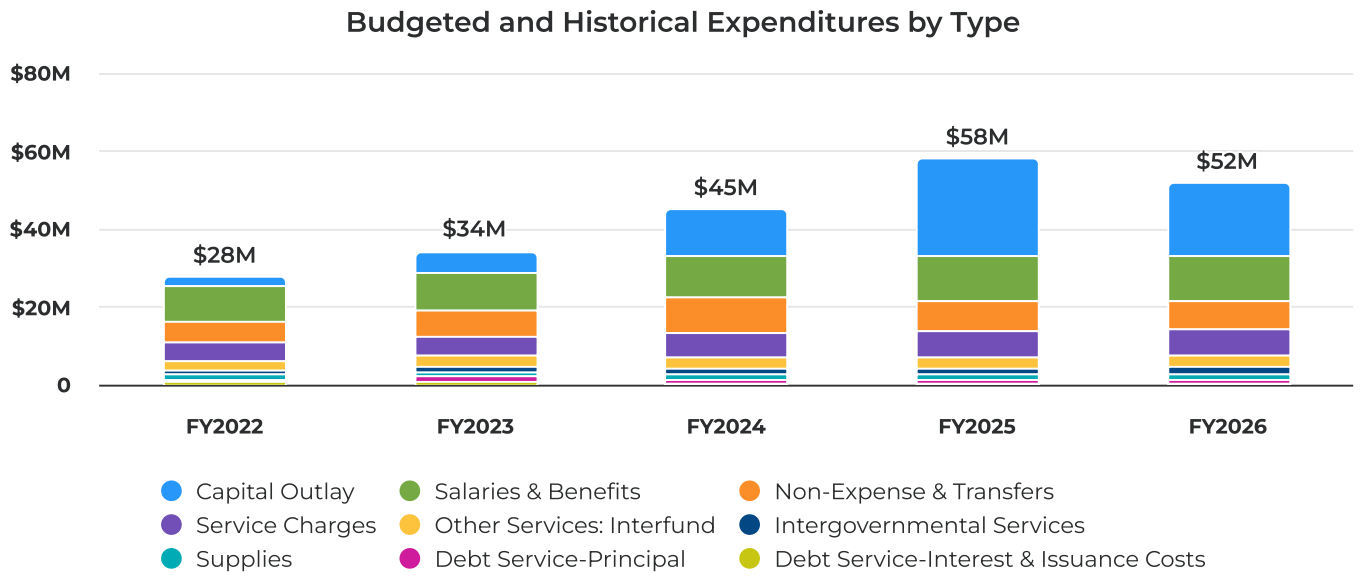


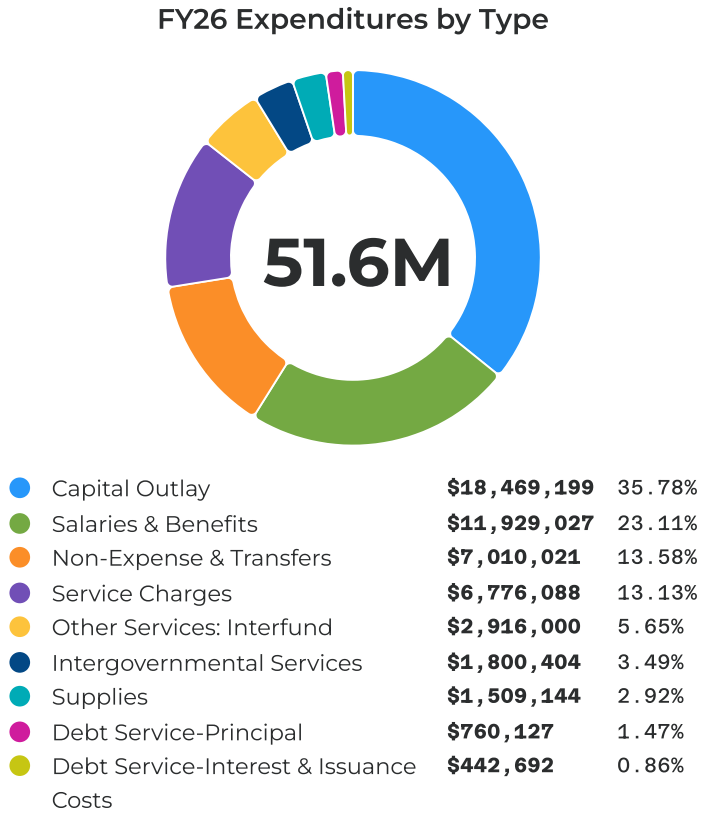
Charges for Goods & Services	**$13,731,583**	27.26%
Taxes	**$11,771,878**	23.37%
Transfers & Non-Revenues	**$10,269,950**	20.39%
Intergovernmental Revenues	**$10,138,749**	20.13%
Enterprise & Fiduciary	**$2,118,200**	4.21%
Other Increases in Fund Resources	**$902,200**	1.79%
Licenses & Permits	**$750,949**	1.49%
Miscellaneous Revenues	**$681,353**	1.35%
Fines & Penalties	**$5,000**	0.01%

Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$11,165,188	$10,869,727	$11,317,554	$10,916,470	$11,771,878	$855,408	7.84%
Licenses & Permits	$396,199	$522,781	$456,332	$741,885	$750,949	$9,064	1.22%
Intergovernmental Revenues	$2,466,220	$1,000,983	$3,524,161	$6,146,091	$10,138,749	$3,992,658	64.96%
Charges for Goods & Services	$10,686,747	$11,331,249	$11,910,853	$15,932,195	$13,731,583	-$2,200,612	-13.81%
Fines & Penalties	$100	$1,179	$500	-	$5,000	-	-
Miscellaneous Revenues	$526,601	$638,057	$857,339	$602,404	$681,353	$78,949	13.11%
Other Increases in Fund Resources	$132,913	$309,135	$177,060	$887,200	$902,200	$15,000	1.69%
Enterprise & Fiduciary	$1,192,256	$524,033	$695,243	$1,533,640	$2,118,200	$584,560	38.12%
Transfers & Non-Revenues	$5,297,832	$6,206,104	$10,716,770	$17,581,979	$10,269,950	-$7,312,029	-41.59%
Total Revenues	**$31,864,056**	**$31,403,248**	**$39,655,812**	**$54,341,864**	**$50,369,862**	**-$3,972,002**	**-7.31%**

Expenditures by Expense Type: Where Will the Money Go?



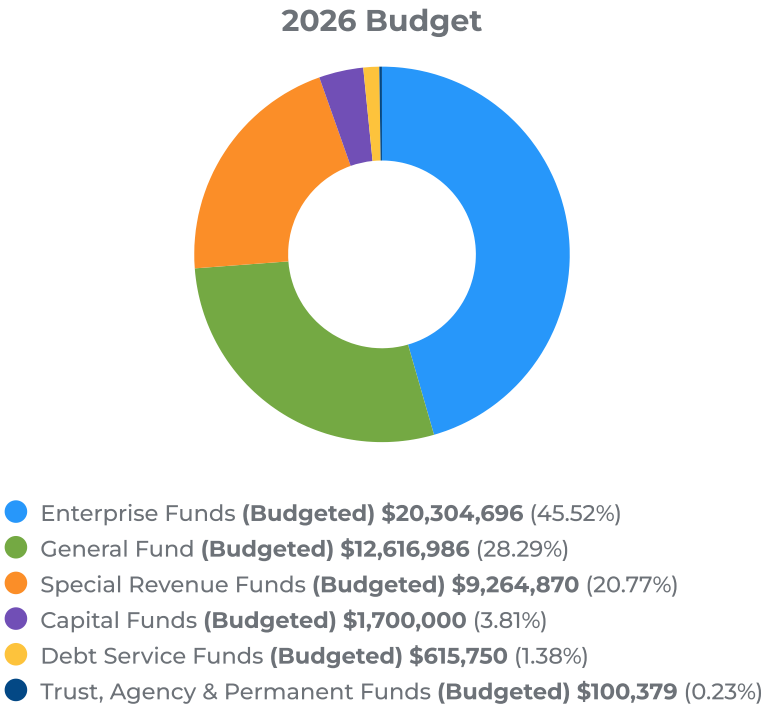


Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$5,319,084	$6,405,073	$9,197,192	$7,790,921	$7,010,021	-$780,900	-10.02%
Salaries & Benefits	$9,355,379	$9,560,028	$10,753,363	$11,317,390	$11,929,027	$611,637	5.40%
Supplies	$1,309,970	$1,370,513	$1,262,865	$1,470,144	$1,509,144	$39,000	2.65%

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Service Charges	$4,514,169	$5,219,468	$6,030,044	$6,486,159	$6,776,088	$289,929	4.47%
Intergovernmental Services	$1,384,833	$1,472,188	$1,596,476	$1,681,104	$1,800,404	$119,300	7.10%
Capital Outlay	$2,329,085	$5,620,896	$11,872,323	$25,211,664	$18,469,199	-$6,742,465	-26.74%
Debt Service-Principal	$573,949	$1,438,343	$1,000,089	$713,891	$760,127	$46,236	6.48%
Debt Service-Interest & Issuance Costs	$526,821	$499,492	$443,855	$445,323	$442,692	-$2,631	-0.59%
Other Services: Interfund	$2,369,441	$2,527,441	$2,741,419	$2,896,000	$2,916,000	$20,000	0.69%
Total Expenditures	**$27,682,731**	**$34,113,442**	**$44,897,625**	**$58,012,596**	**$51,612,702**	**-$6,399,894**	**-11.03%**

All City Programs Expenses - Excluding Transfers & Non-Expenses

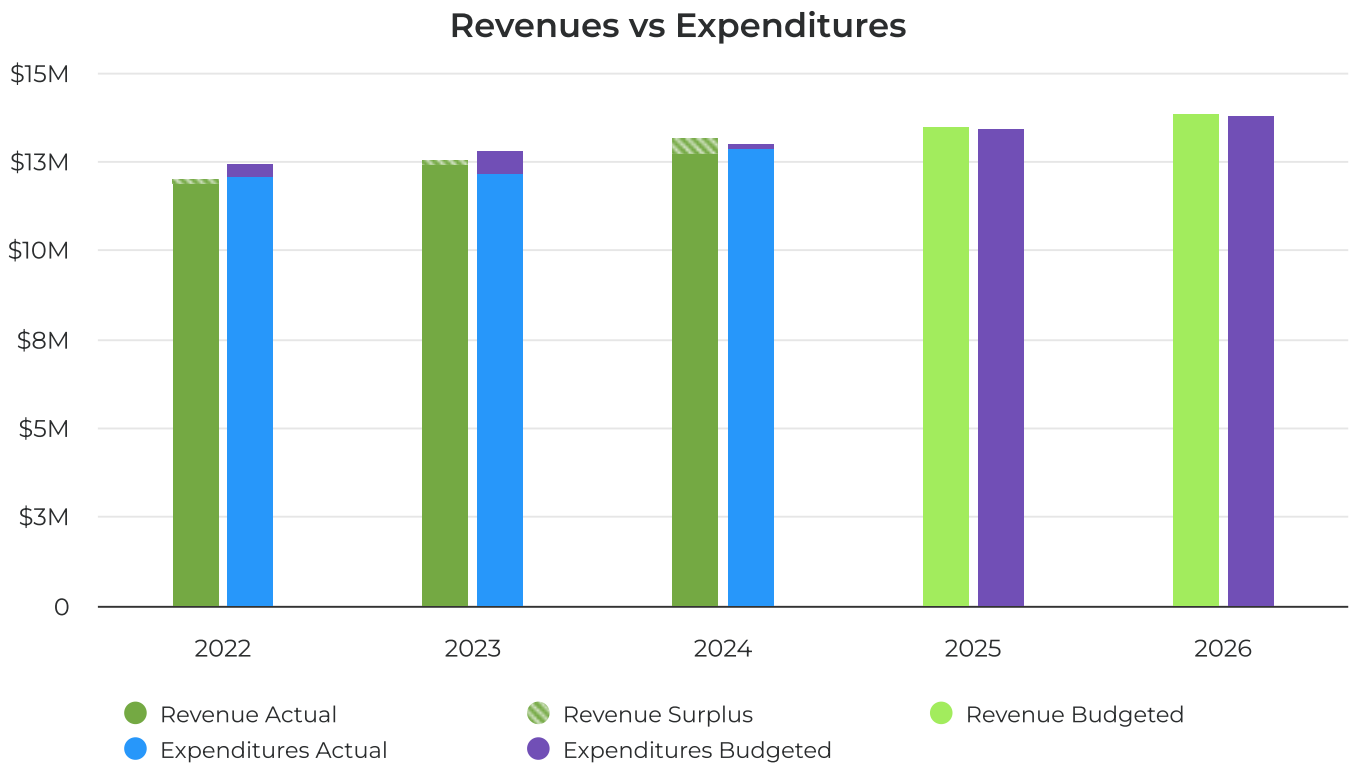


Fund Categories	FY2022 Actuals	FY2023 Actuals	FY2024 Actuals	FY2025 Adopted	FY2026 Requested	FY2025 Adopted vs. FY2026 Requested ($ change)	FY2025 Adopted vs. FY2026 Requested (% change)
General Fund	9,721,179	10,361,510	11,518,239	12,189,005	12,616,986	427,981	3.5%
Total General Fund	**9,721,179**	**10,361,510**	**11,518,239**	**12,189,005**	**12,616,986**	**427,981**	**3.5%**
Street Unrestricted	1,073,328	1,240,682	1,167,927	1,231,180	1,393,408	162,228	13.2%
Stormwater Unrestricted	137,754	152,995	158,347	155,218	158,303	3,085	2.0%
Street Restricted	1,087,154	2,366,413	4,173,161	4,527,748	5,291,748	764,000	16.9%
Development Reserves	-	-	206,927	250,000	250,000	-	0.0%
Lodging Tax Hotel/Motel	414,025	448,143	469,344	589,142	605,250	16,108	2.7%
StormWater Restricted	58,528	24,423	19,509	865,295	35,295	(830,000)	-95.9%
Police Restricted	66,874	114,373	130,304	211,201	113,805	(97,396)	-46.1%
Police Asset Seizure	-	-	-	15,000	15,000	-	0.0%
Parks Restricted	238,566	162,633	2,830,083	1,975,303	565,803	(1,409,500)	-71.4%
Arts & Culture-Arts Commission Programs	33,062	33,501	40,984	64,548	56,008	(8,540)	-13.2%
Equipment Reserve	318,340	475,917	1,675,527	555,426	751,500	196,074	35.3%
American Rescue Plan Act	92,610	363,256	556,706	-	-	-	0.0%
Rainy Day Fund	472,316	-	-	-	28,750	28,750	100.0%
Total Special Revenue Funds	**3,992,557**	**5,382,335**	**11,428,819**	**10,440,061**	**9,264,870**	**(1,175,191)**	**-11.3%**
Debt Service Fund-City Hall	655,075	1,507,025	618,550	618,100	615,750	(2,350)	-0.4%
Total Debt Service Funds	**655,075**	**1,507,025**	**618,550**	**618,100**	**615,750**	**(2,350)**	**-0.4%**
Capital Facilities Fund	188,121	349,050	345,774	1,889,000	1,700,000	(189,000)	-10.0%
Total Capital Funds	**188,121**	**349,050**	**345,774**	**1,889,000**	**1,700,000**	**(189,000)**	**-10.0%**
Water Unrestricted	2,008,698	1,994,419	2,333,857	2,348,264	2,638,128	289,864	12.3%
Sewer Unrestricted	4,468,175	4,470,176	4,632,703	4,773,932	4,762,014	(11,918)	-0.2%
Water Restricted	943,097	2,149,087	2,224,738	4,289,929	6,235,130	1,945,201	45.3%
Sewer Restricted	372,726	1,767,384	2,685,431	13,530,505	6,669,424	(6,861,081)	-50.7%
Total Enterprise Funds	**7,792,696**	**10,381,067**	**11,876,729**	**24,942,630**	**20,304,696**	**(4,637,934)**	**-18.6%**
Unemployment Compensation	2,019	16,365	7,135	40,000	40,000	-	0.0%
Intergovernmental Agency Fund	1,874	578	2,932	47,179	54,379	7,200	15.3%
Hall Park Fund	-	-	6,999	6,000	6,000	-	0.0%
Total Trust, Agency & Permanent Funds	**3,893**	**16,942**	**17,066**	**93,179**	**100,379**	**7,200**	**7.7%**
TOTAL	**22,353,521**	**27,997,928**	**35,805,177**	**50,171,975**	**44,602,681**	**(5,569,294)**	**-11.1%**

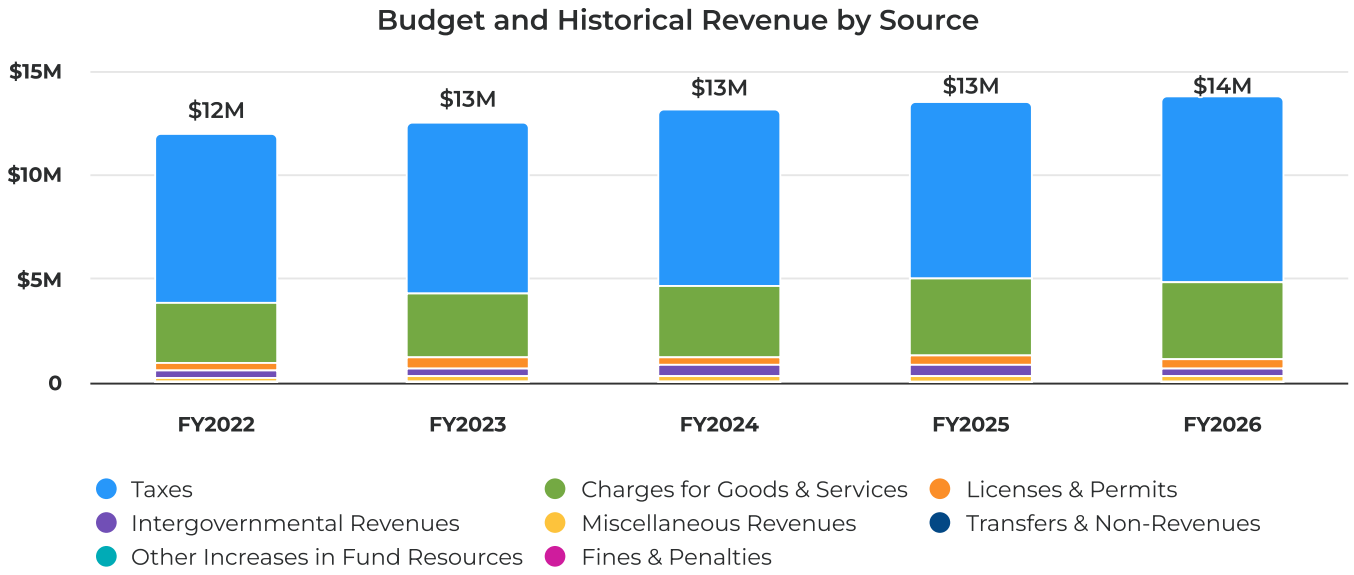
General Fund

Summary

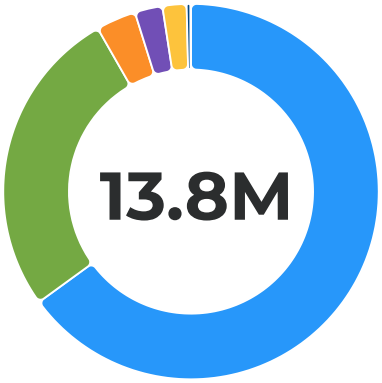
The City of Sequim is projecting $13.81M of revenue in FY2026, which represents a 2.5% increase over the prior year. Budgeted expenditures are projected to increase by 2.9% or $384.6K to $13.80M in FY2026.



General Fund Revenues



FY26 Revenues by Revenue Source

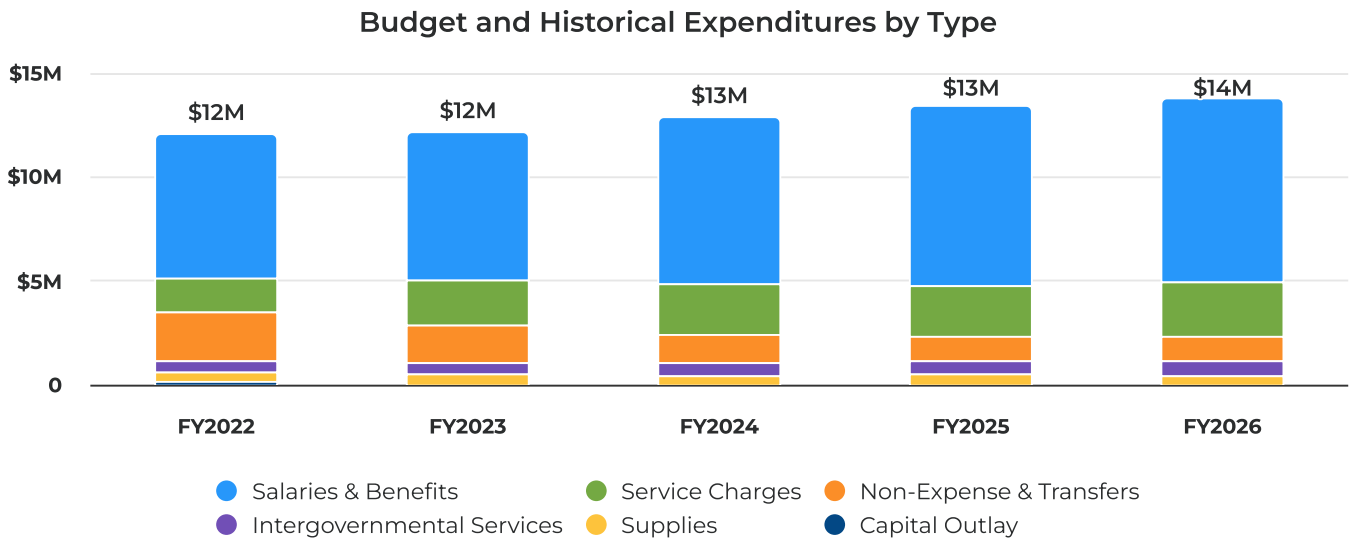


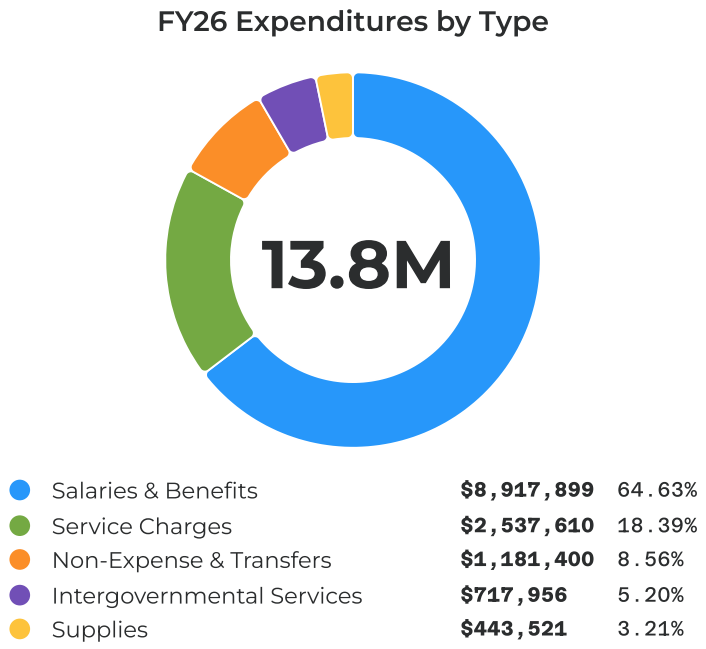
Taxes	**$8,976,663**	64.99%
Charges for Goods & Services	**$3,695,070**	26.75%
Licenses & Permits	**$473,995**	3.43%
Intergovernmental Revenues	**$330,810**	2.39%
Miscellaneous Revenues	**$284,124**	2.06%
Transfers & Non-Revenues	**$47,000**	0.34%
Fines & Penalties	**$5,000**	0.04%

General Fund Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$8,146,297	$8,261,979	$8,510,915	$8,486,619	$8,976,663	$490,044	5.77%
Licenses & Permits	$363,172	$513,845	$432,367	$467,385	$473,995	$6,610	1.41%
Intergovernmental Revenues	$317,593	$392,326	$500,089	$518,435	$330,810	-$187,625	-36.19%
Charges for Goods & Services	$2,906,207	$3,064,465	$3,365,977	$3,689,194	$3,695,070	$5,876	0.16%
Fines & Penalties	$100	$1,179	$500	-	$5,000	-	-
Miscellaneous Revenues	$188,378	$279,210	$266,621	$257,738	$284,124	$26,386	10.24%
Other Increases in Fund Resources	$2,275	$5,776	$10,741	-	-	-	-
Transfers & Non-Revenues	$50,646	$18,802	$42,539	$50,000	$47,000	-$3,000	-6.00%
Total Revenues	**$11,974,668**	**$12,537,582**	**$13,129,748**	**$13,469,371**	**$13,812,662**	**$343,291**	**2.55%**

General Fund Expenditures

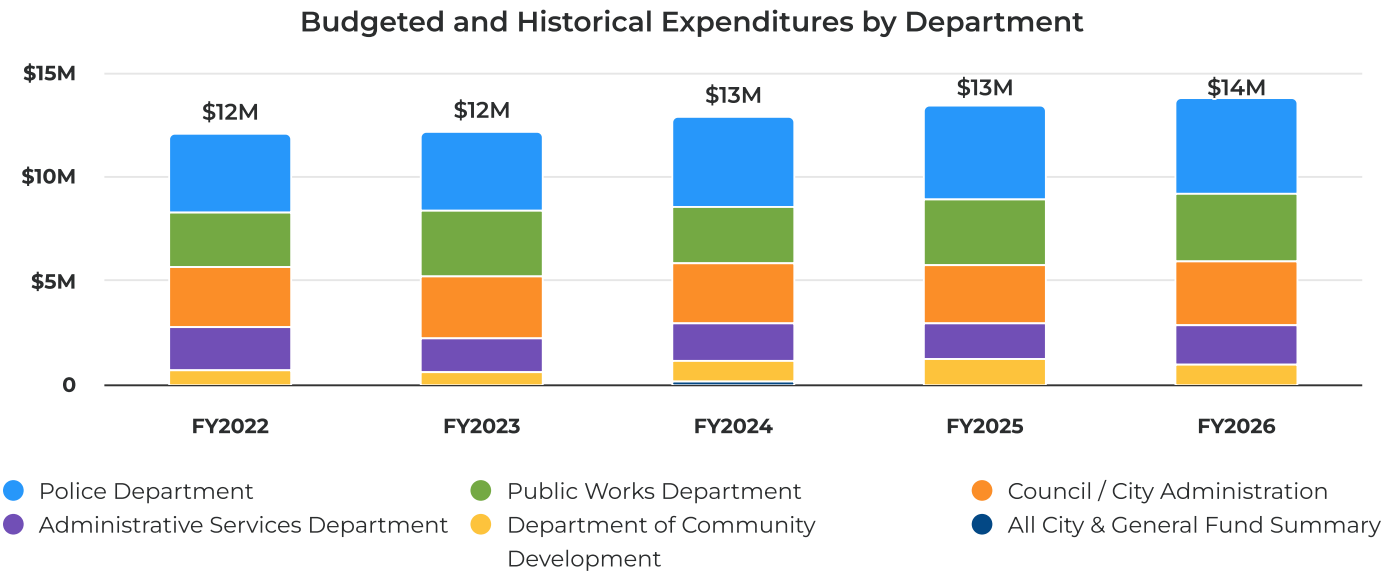




General Fund Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$2,298,540	$1,775,710	$1,335,445	$1,224,800	$1,181,400	-$43,400	-3.54%
Salaries & Benefits	$6,875,231	$7,123,441	$8,057,984	$8,661,198	$8,917,899	$256,701	2.96%
Supplies	$456,504	$469,641	$419,867	$460,701	$443,521	-$17,180	-3.73%
Service Charges	$1,706,594	$2,189,552	$2,390,545	$2,423,831	$2,537,610	$113,779	4.69%
Intergovernmental Services	$555,094	$578,876	$649,843	$643,275	$717,956	$74,681	11.61%
Capital Outlay	$127,756	-	-	-	-	-	-
Total Expenditures	**$12,019,719**	**$12,137,220**	**$12,853,683**	**$13,413,805**	**$13,798,386**	**$384,581**	**2.87%**

General Fund Expenditures by Department



FY26 Expenditures by Department



Police Department	**$4,649,520**	33.70%
Public Works Department	**$3,219,977**	23.34%
Council / City Administration	**$3,055,044**	22.14%
Administrative Services Department	**$1,880,524**	13.63%
Department of Community Development	**$993,321**	7.20%

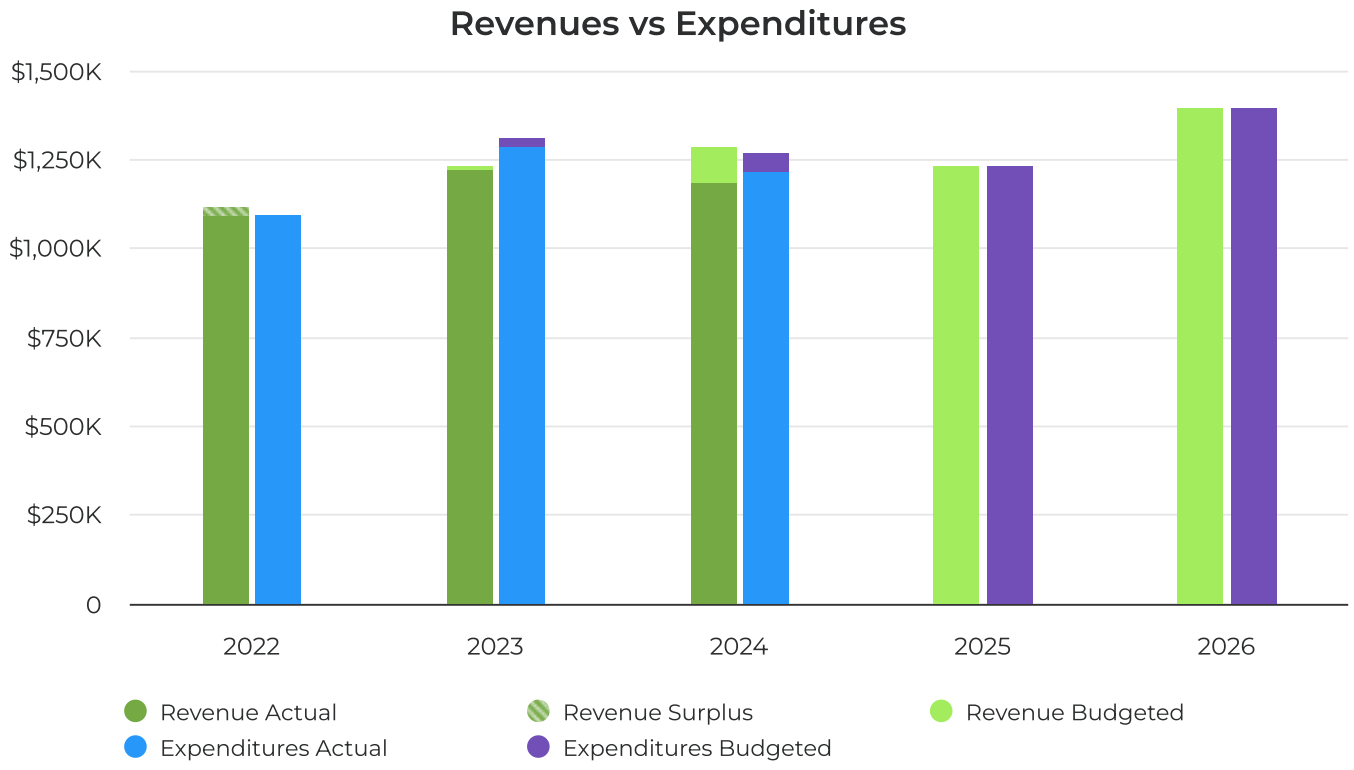
General Fund Expenditures by Department

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Council / City Administration	$2,906,002	$2,986,657	$2,882,955	$2,824,725	$3,055,044	$230,319	8.15%
Police Department	$3,717,595	$3,778,427	$4,320,400	$4,530,274	$4,649,520	$119,246	2.63%
Department of Community Development	$660,281	$596,665	$1,038,436	$1,178,189	$993,321	-$184,868	-15.69%
Administrative Services Department	$2,051,093	$1,641,552	$1,779,698	$1,746,152	$1,880,524	$134,372	7.70%
Public Works Department	$2,684,749	$3,133,918	$2,726,363	$3,134,465	$3,219,977	$85,512	2.73%
All City & General Fund Summary	-	-	$105,831	-	-	-	-
Total Expenditures	**$12,019,719**	**$12,137,220**	**$12,853,683**	**$13,413,805**	**$13,798,386**	**$384,581**	**2.87%**

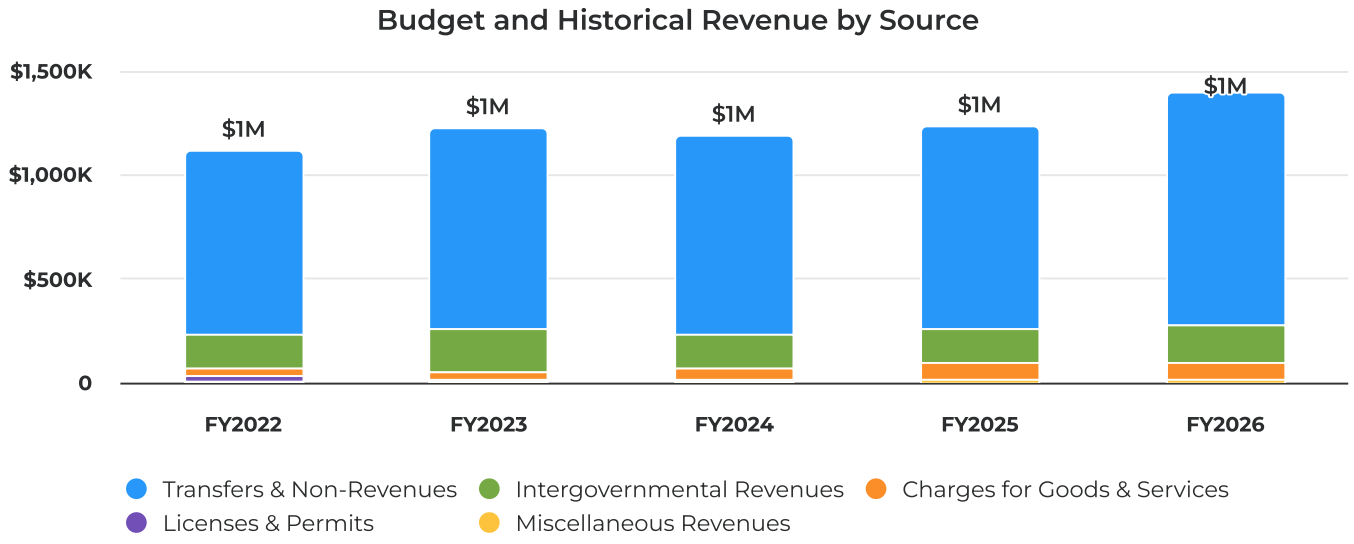
Streets Operating Fund

Summary

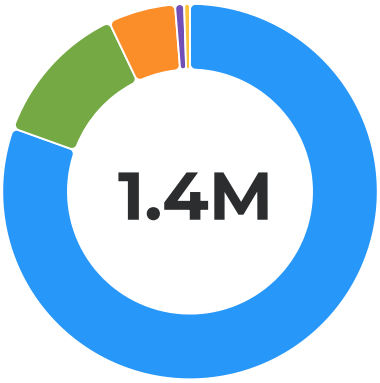
The City of Sequim is projecting $1.40M of revenue in FY2026, which represents a 13.3% increase over the prior year. Budgeted expenditures are projected to increase by 13.2% or $162.2K to $1.39M in FY2026.



Streets Operating Revenues



FY26 Revenues by Revenue Source

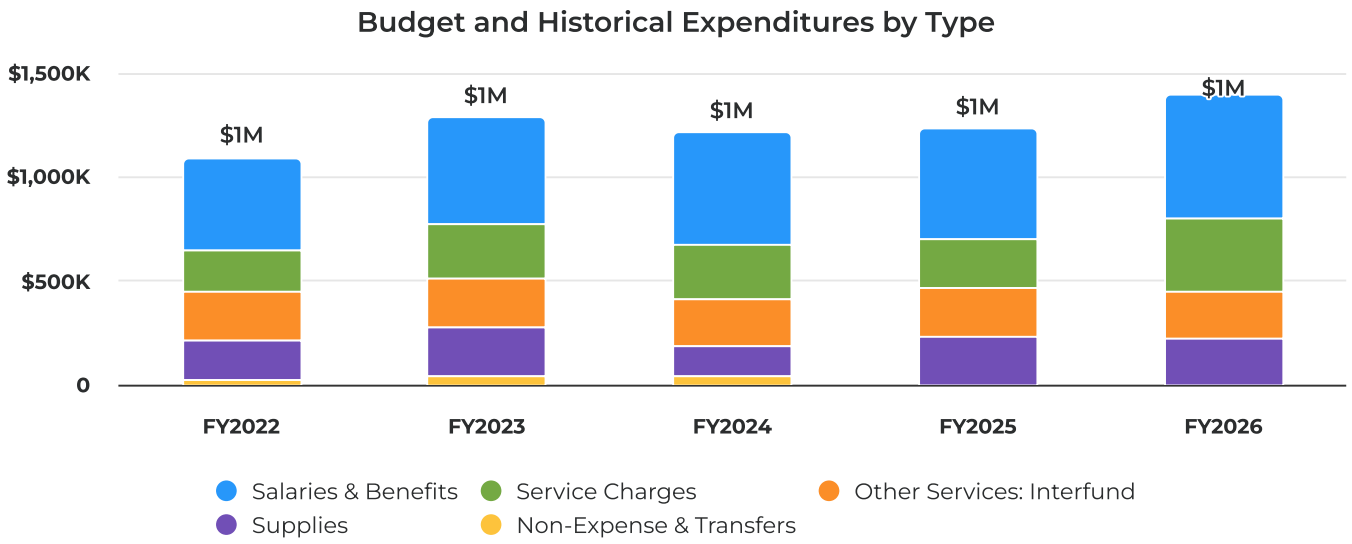


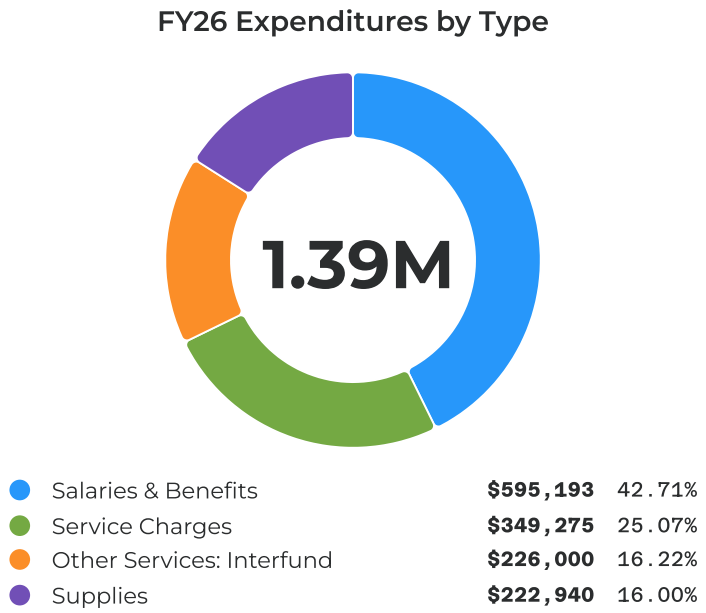
Transfers & Non-Revenues	**$1,123,000**	80.48%
Intergovernmental Revenues	**$173,537**	12.44%
Charges for Goods & Services	**$81,101**	5.81%
Miscellaneous Revenues	**$10,820**	0.78%
Licenses & Permits	**$6,954**	0.50%

Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$27,613	$4,531	$6,954	$4,500	$6,954	$2,454	54.53%
Intergovernmental Revenues	$163,240	$203,217	$158,503	$164,679	$173,537	$8,858	5.38%
Charges for Goods & Services	$31,002	$38,494	$53,571	$75,101	$81,101	$6,000	7.99%
Miscellaneous Revenues	$8,487	$8,313	$8,819	$10,820	$10,820	-	0.00%
Transfers & Non-Revenues	$883,022	$967,392	$957,164	$977,000	$1,123,000	$146,000	14.94%
Total Revenues	**$1,113,363**	**$1,221,947**	**$1,185,010**	**$1,232,100**	**$1,395,412**	**$163,312**	**13.25%**

Streets Operating Expenditures



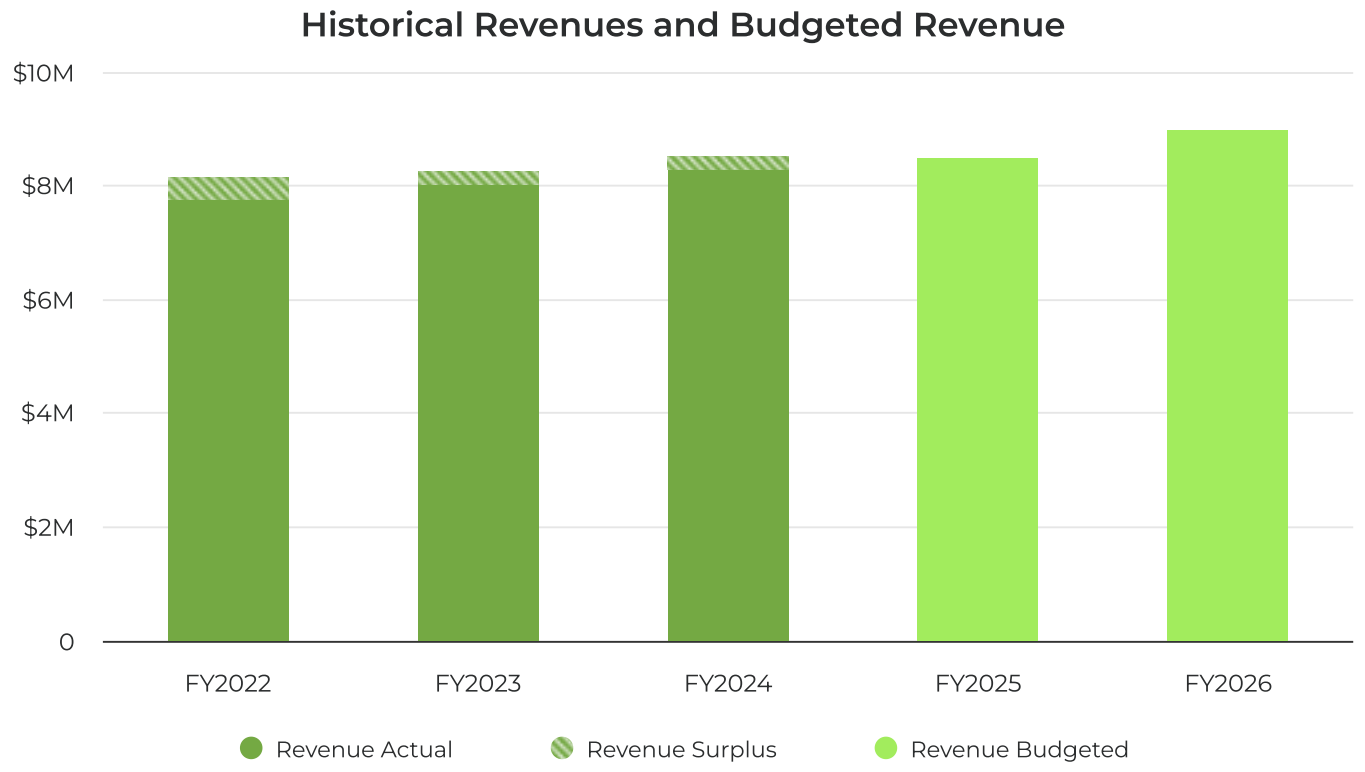


Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$19,000	$45,000	$45,000	-	-	-	-
Salaries & Benefits	$450,072	$517,243	$539,688	$528,465	$595,193	$66,728	12.63%
Supplies	$197,321	$235,034	$141,587	$234,835	$222,940	-$11,895	-5.07%
Service Charges	$190,992	$256,000	$260,023	$233,880	$349,275	$115,395	49.34%
Other Services: Interfund	$234,943	$232,406	$226,629	$234,000	$226,000	-$8,000	-3.42%
Total Expenditures	**$1,092,328**	**$1,285,682**	**$1,212,927**	**$1,231,180**	**$1,393,408**	**$162,228**	**13.18%**

FUNDING SOURCES

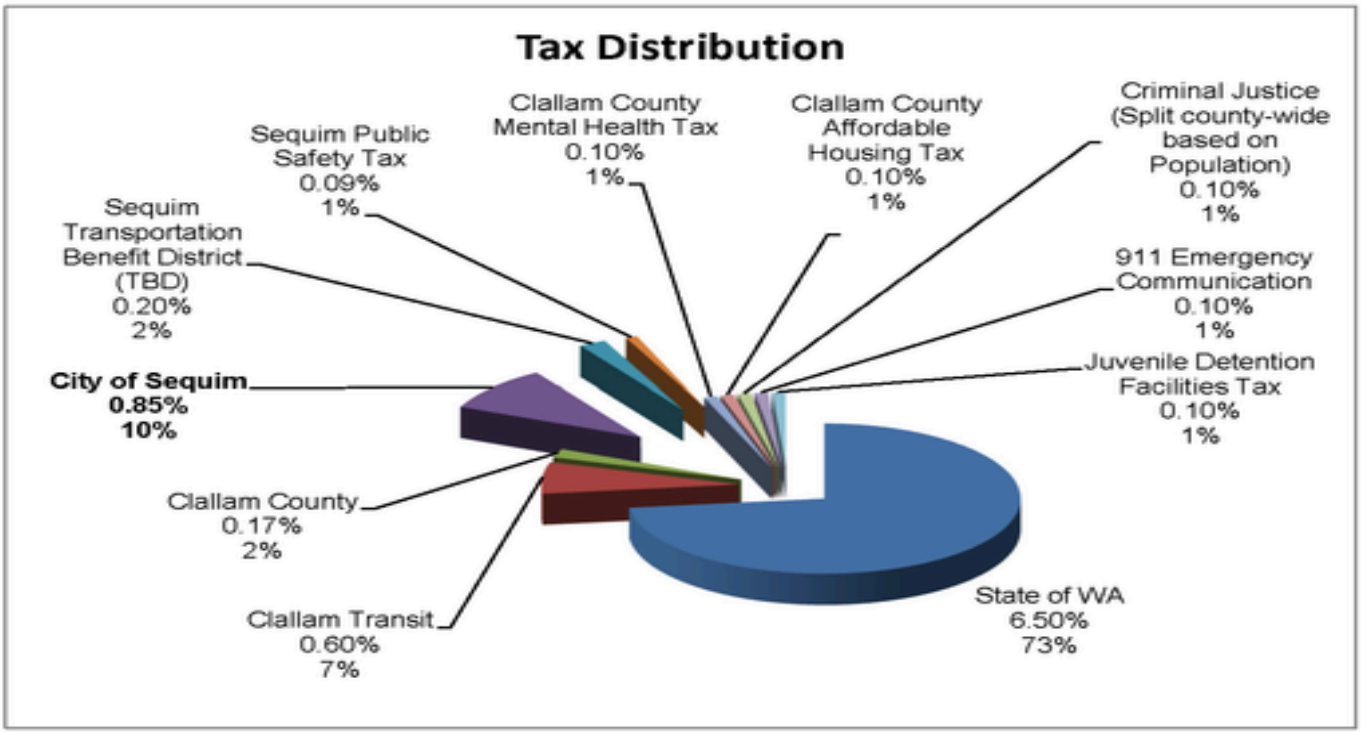
General Fund revenues - Taxes Including B&O



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes							
Real & Personal Property Tax	$1,714,954	$1,766,967	$1,800,323	$1,870,180	$1,907,954	$37,774	2.02%
Sales & Use Tax	$4,372,721	$4,352,846	$4,482,564	$4,373,937	$4,746,844	$372,907	8.53%
WATER B&O	$223,401	$240,801	$268,239	$255,250	$273,999	$18,749	7.35%
SEWER B&O	$378,491	$415,752	$433,441	$442,718	$452,594	$9,876	2.23%
Electric-BusinessOccTax	$761,168	$769,036	$755,265	$784,579	$813,362	$28,783	3.67%
Garbage-BusinessOccTa	$239,993	$250,093	$294,432	$287,273	$315,412	$28,139	9.80%
Cable-BusinessOccTax	$86,062	$80,442	$83,260	$91,337	$80,626	-$10,711	-11.73%
Telephone-Business Occ Tax	$129,102	$136,447	$138,478	$136,447	$140,000	$3,553	2.60%
Leasehold Excise Tax	$55,313	$60,298	$59,361	$55,380	$46,876	-$8,504	-15.36%
Criminal Justice Tax	$185,093	$189,296	$195,553	$189,518	$198,996	$9,478	5.00%
Total Taxes	$8,146,297	$8,261,979	$8,510,915	$8,486,619	$8,976,663	$490,044	5.77%
Total Revenues	**$8,146,297**	**$8,261,979**	**$8,510,915**	**$8,486,619**	**$8,976,663**	**$490,044**	**5.77%**

8.90% Sales Tax Distribution - Within The City Limits



Distribution of Sales Tax Dollars		Estimated Annual Sequim Sales	Estimated Tax Revenue Generated
Total Tax %	**8.90%**	***$558,452,235***	***$49,702,249***
State of WA	6.50%		*36,299,395*
Clallam Transit	0.60%		*3,350,713*
Clallam County	0.17%		*921,446*
City of Sequim	**0.85%**		***4,746,844***
Sequim Transportation Benefit District (TBD)	0.20%		*1,116,904*
Sequim Public Safety Tax	0.09%		*474,684*
Clallam County Mental Health Tax	0.10%		*558,452*
Clallam County Affordable Housing Tax	0.10%		*558,452*
Criminal Justice (Split county-wide based on Population)	0.10%		*558,452*
911 Emergency Communication	0.10%		*558,452*
Juvenile Detention Facilities Tax	0.10%		*558,452*

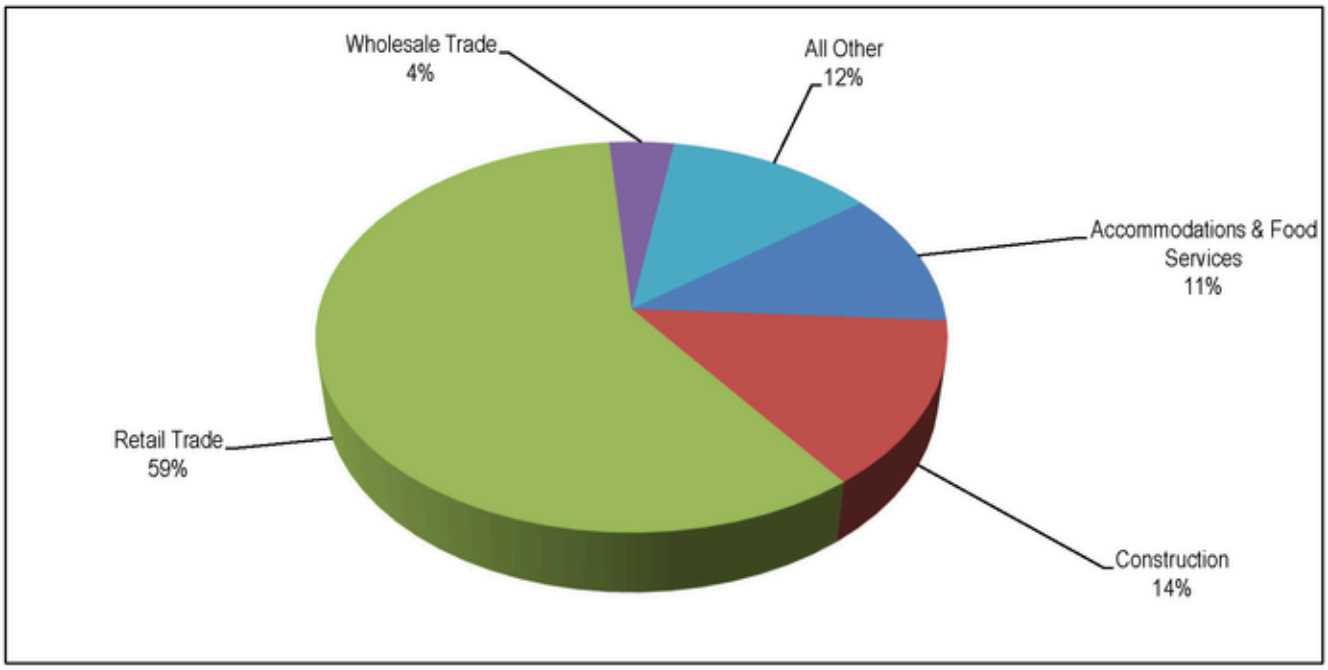
2026 Example of Sales Tax Collection



Sequim Sale	Total Sales Tax	State Share	All Other Share	City Of Sequim Share
$1,000	*$89*	*$65*	*$13*	***$11***
$5,000	*$445*	*$325*	*$63*	***$57***
$10,000	*$890*	*$650*	*$127*	***$114***
$25,000	*$2,225*	*$1,625*	*$316*	***$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.

Annual Sales Tax by Industry - Estimate based on 2025 **Forecast**



	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Forecast	2026 Budget	2026-2025 Amount	%
Accommodations & Food Services	475,437	516,988	556,380	573,379	509,476			
Construction	425,159	409,737	369,064	530,486	627,747	Budget detail		
Retail Trade	2,675,324	2,690,394	2,706,169	2,633,188	2,674,750	by Industry not		
Wholesale Trade	124,503	189,685	173,491	189,159	172,858	available		
All Other	542,908	575,241	539,632	552,024	554,965			
State Adjustments	(19,095)	(9,325)	8,111	4,328	9,097			
Total	**$ 4,224,237**	**$ 4,372,720**	**$ 4,352,848**	**$ 4,482,564**	**$ 4,548,894**	**$ 4,746,844**	**$ 197,950**	**4.35%**
Estimated Annual Sequim Sales	*$ 496,969,059*	*$ 514,437,647*	*$ 512,099,765*	*$ 527,360,471*	*$ 535,164,056*	*$ 558,452,235*		

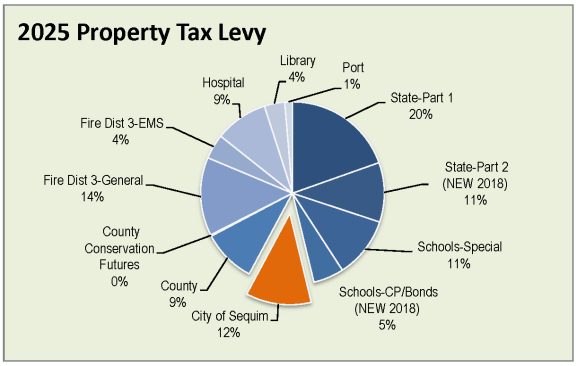
Distribution of Sequim Property Tax Dollars

	2023			2024			2025		
Taxing District	Levy Rate per $1,000 Valuation	Percent of Levy	Tax on a $300k Home	Levy Rate per $1,000 Valuation	Percent of Levy	Tax on a $300k Home	Levy Rate per $1,000 Valuation	Percent of Levy	Tax on a $300k Home
State-Part 1	1.562	20%	469	1.508	20%	452	1.573	20%	472
State-Part 2 (NEW 2018)	0.835	11%	251	0.809	11%	243	0.846	11%	254
Schools-Special	0.903	12%	271	0.867	11%	260	0.866	11%	260
Schools-CP/Bonds (NEW 2018)	0.455	6%	136	0.434	6%	130	0.432	5%	130
City of Sequim	**0.977**	**12%**	**293**	**0.946**	**13%**	**284**	**0.929**	**12%**	**279**
County	0.813	10%	244	0.771	10%	231	0.760	9%	228
County Conservation Futures	0.019	0%	6	0.018	0%	5	0.017	0%	5
Fire Dist 3-General	1.132	14%	340	1.120	15%	336	1.113	14%	334
Fire Dist 3-EMS	0.370	5%	111	0.354	5%	106	0.352	4%	106
Hospital	0.334	4%	100	0.318	4%	95	0.750	9%	225
Library	0.309	4%	93	0.294	4%	88	0.289	4%	87
Port	0.113	1%	34	0.111	1%	33	0.109	1%	33
Total Levy	**7.822**	**100%**	**2,347**	**7.550**	**100%**	**2,265**	**8.036**	**100%**	**2,411**

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.

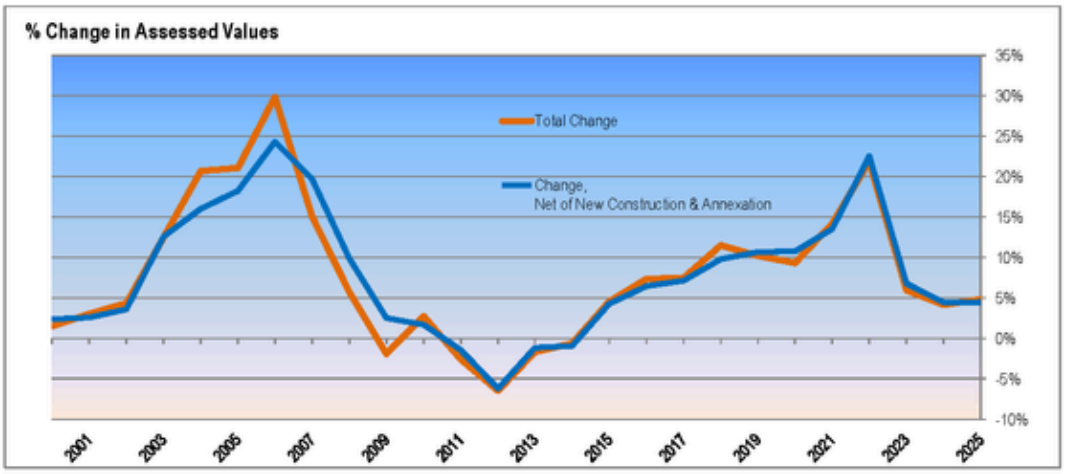
The Library and Fire District levies are deducted from the $3.60 maximum available to cities. Any year in which the Library or the Fire District do not utilize their full levy, a city may assess the unused portion subject to the limitations listed above.

Assessed Values

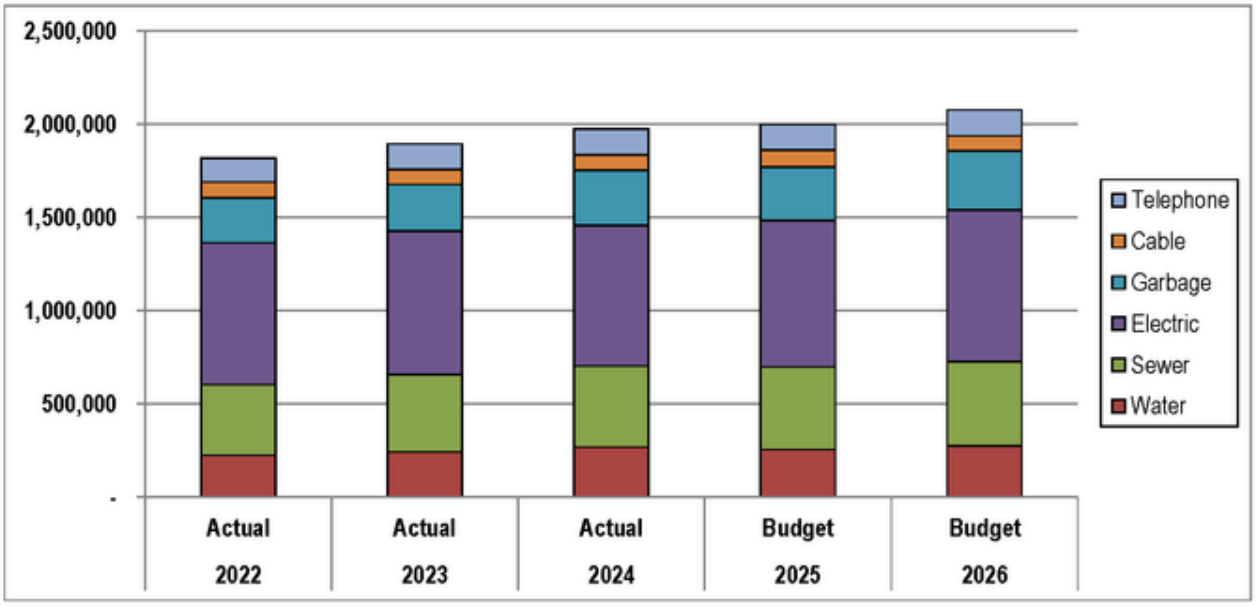
Assessment Yr.	Collection Yr.	Total Tax Collections	Total Assessed Valuation (incl. New Construction & Annexation)	New Construction	Annexation	Total Change	Change, Net of New Construction & Annexation
2025	2026	1,915,097	2,104,591,640	27,337,227		4.81%	4.48%
2024	2025	1,870,180	2,008,070,363	19,828,311		4.13%	4.45%
2023	2024	1,824,528	1,928,481,949	24,894,716		5.96%	6.75%
2022	2023	1,778,659	1,820,084,367	36,914,025	-	21.89%	22.51%
2021	2022	1,714,128	1,493,196,143	37,649,354	-	14.15%	13.51%
2020	2021	1,664,763	1,308,100,815	25,769,571	-	9.31%	10.76%
2019	2020	1,611,688	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	724,342	346,554,900	8,022,745	2,358,590	4.36%	3.58%
2001	2002	688,980	332,077,932	7,521,730	-	3.03%	2.59%
2000	2001	684,956	322,322,567	5,324,205	636,155	1.48%	2.36%
1999	2000	652,040	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.



Public Utility Tax - by Public Utility



Tax Rate*	Public Utility	2022 Actual	2023 Actual	2024 Actual	2025 Budget	2026 Budget	2026-2024 Amount	%
8%	Water	223,401	240,801	268,239	255,250	273,999	18,749	7%
8%	Sewer	378,491	415,752	433,441	442,718	452,594	9,876	2%
6%	Electric	761,168	769,036	755,265	784,579	813,362	28,783	4%
8%	Garbage	239,993	250,093	294,432	287,273	315,412	28,139	10%
5%	Cable	86,062	80,442	83,260	91,337	80,626	(10,711)	-12%
6%	Telephone	129,102	136,447	138,478	136,447	140,000	3,553	3%
	Total	$ 1,818,216	$ 1,892,572	$ 1,973,115	$ 1,997,604	$ 2,075,993	$ 78,389	4%

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

CITY DEPARTMENTS

City Council Organization



- Adopts local ordinances & resolutions
- Approves contracts
- Establishes policy
- Approves the budget
- Approves various legislative land use action
- Listens to concerns/suggestions from residents
- Appoints the City Manager
- Establishes various committees and confirms appointments to those committees
- Mayor serves as the ceremonial head of the city



City Council

Description

The City of Sequim operates under the council-manager form of government. Under the council–manager form of government for municipalities, the elected governing body (City Council) is responsible for the legislative function of the municipality such as establishing policy, adopting local ordinances, establishing an annual budget, and developing an overall vision.

The Council is made up of seven members elected at large on a non-partisan basis for overlapping four-year terms. Every two years Council members elect a Mayor and Deputy Mayor from among their membership to lead the Council's business meetings and represent the City at official functions.

Work by the Council involves considerable interaction with citizens, commissions, other governmental agencies, and staff. Regular meetings of the Council are held every second and fourth Monday evening starting at 6:00 p.m. Work sessions are held before the regular meeting, if necessary, to devote extra study to an issue.

Mission

The mission of the City Council is to provide quality, cost-effective services and facilities to build an exceptional community and a great place to live.

Key Goals

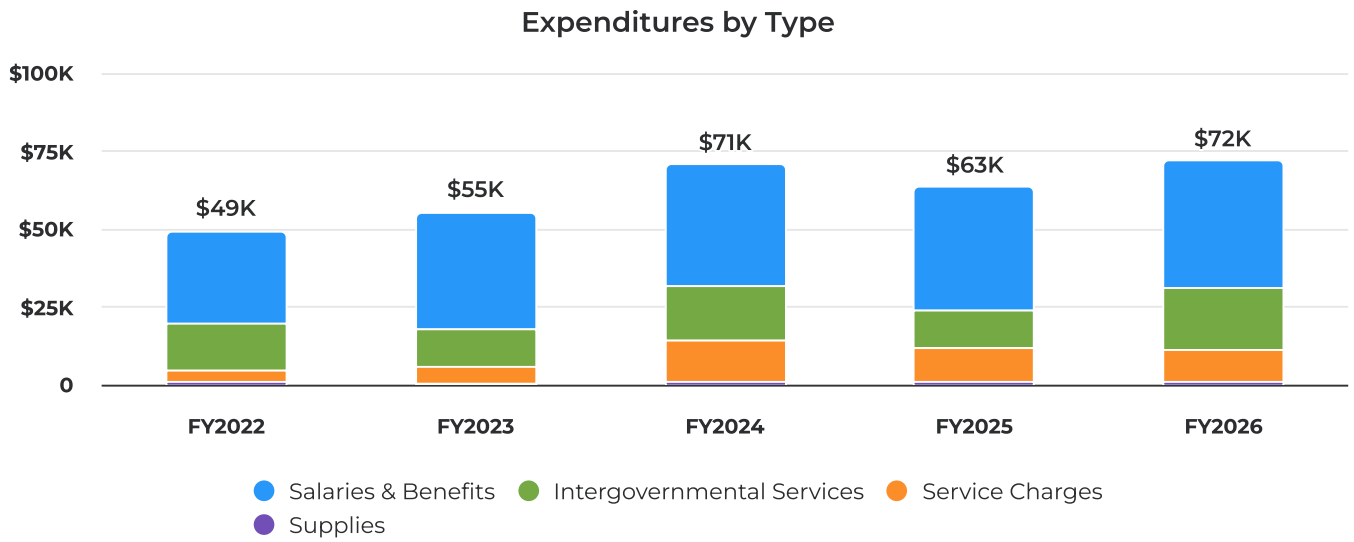
- Infrastructure needs to catch up with growth
- Lack of workforce housing/affordable housing in planning
- Comprehensive Plan update
- Capitalize on strengths
- Climate Change
- Adverse State legislative action
- Lack of housing for external workforce recruitment
- Unchecked growth

Summary

Expenditure Summary

This budget increased by $8k (13%) from the 2025 Budget due to an increase in Council member stipends (as determined by the Council Salary Commission) and election and voter registration costs.

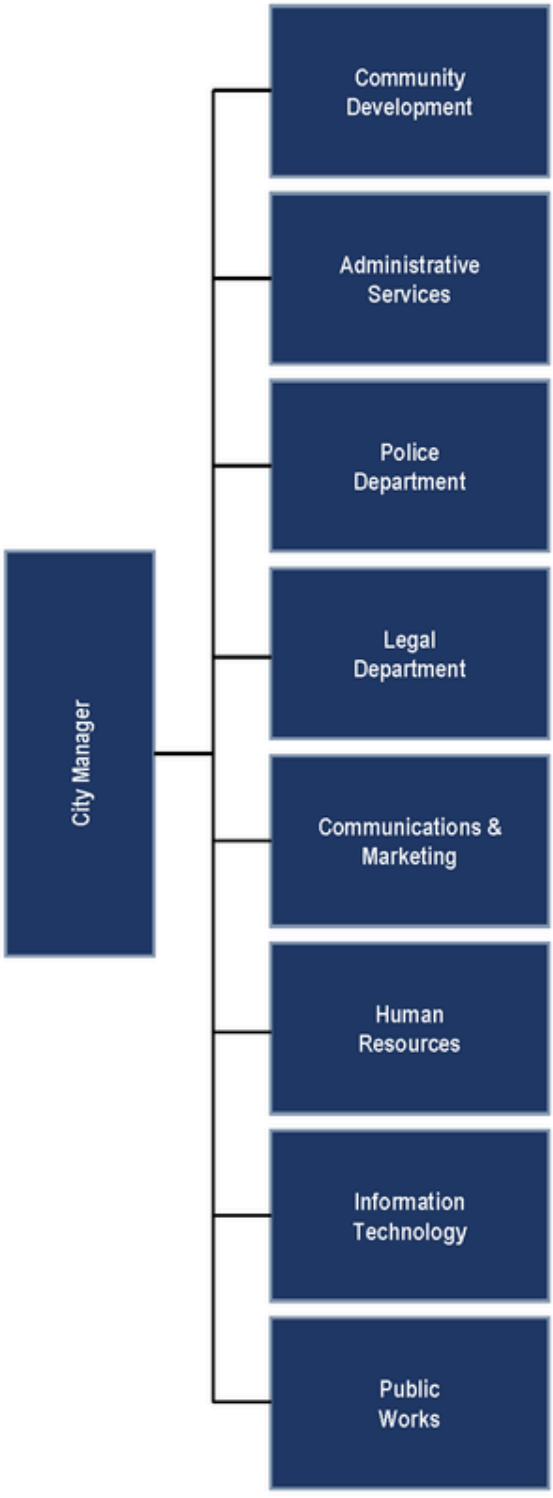
City Council Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$29,499	$37,616	$38,810	$39,578	$40,540	$962	2.43%
Supplies	$890	$548	$855	$1,000	$750	-$250	-25.00%
Service Charges	$3,714	$5,463	$13,273	$10,800	$10,475	-$325	-3.01%
Intergovernmental Services	$15,055	$11,532	$17,730	$12,000	$20,000	$8,000	66.67%
Total Expenditures	**$49,158**	**$55,159**	**$70,668**	**$63,378**	**$71,765**	**$8,387**	**13.23%**

Departments Overview



Community Development
- Planning
- Zoning
- Economic Development

Administrative Services
- Finance
- Utility Billing

Police Department
- Public Safety
- Code Compliance

Legal Department
- Clerk Office
- Regulations
- Contracts

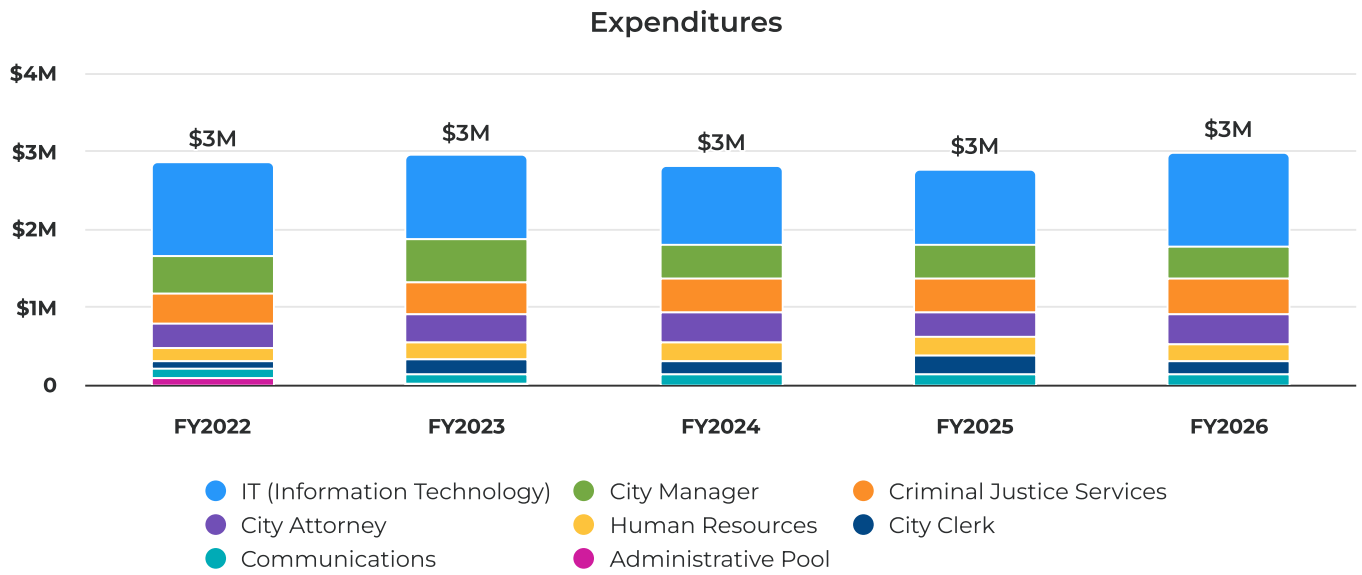
Communications & Marketing
- Media
- Website
- Social Media
- Tourism

Human Resources
- Hiring
- Employee Policy

Information Technology
- Networks
- Software
- Cybersecurity

Public Works
- Engineering
- Streets
- Sewer
- Water
- Parks

City Administration Expenditures by Department



Expenditures

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
City Clerk	$89,671	$180,547	$182,181	$252,653	$164,353	-$88,300	-34.95%
City Manager	$485,319	$555,933	$423,559	$422,452	$403,410	-$19,042	-4.51%
City Attorney	$321,690	$344,055	$382,687	$289,837	$376,055	$86,218	29.75%
Communications	$112,164	$128,743	$130,182	$132,022	$126,587	-$5,435	-4.12%
Human Resources	$177,878	$238,997	$236,730	$241,716	$238,135	-$3,581	-1.48%
Administrative Pool	$93,700	$4,179	-	-	-	-	-
Criminal Justice Services	$380,502	$416,425	$435,164	$451,700	$463,896	$12,196	2.70%
IT (Information Technology)	$1,195,918	$1,075,126	$1,021,784	$970,967	$1,210,843	$239,876	24.70%
Total Expenditures	**$2,856,844**	**$2,944,005**	**$2,812,287**	**$2,761,347**	**$2,983,279**	**$221,932**	**8.04%**

City Manager

Description

The City Manager's Office (CMO) is the administrative branch of City government and implements and operationalizes policy decisions from the City Council (the policy branch of City government). The CMO provides organizational, management and strategic direction to all city departments and staff. Additionally, the CMO is responsible for preparing the proposed annual budget and a long-range financial plan to City Council for their review and approval. The CMO is committed to utilizing data and analytics for all business decisions to support its vision, mission and foundational values (see below). The CMO works closely with elected officials, city designated commissions, committees, boards, community businesses, public agencies, Tribal leadership, resident/volunteer groups, and other organized entities.

Vision

To be Washington's most sought-after city to work and live in.

Mission

To provide maximum VALUE to our community by:

- Providing high-quality municipal services
- Ensuring superb customer (co-workers, citizens, businesses) satisfaction
- Decreasing costs through the use of technology by employees and improved efficiencies via continual process improvement

Foundational Values

- Honesty, Integrity, Fairness
- Customer Centric, Clear Communication
- Teamwork, Collaboration
- State-of-the-art Technology, Equipment, Tools
- Data Analytics, CQI, Decision Support
- Engagement, Ownership, Solution Orientation
- Strong Work, Commitment, Ethics
- Ongoing Personal, Professional Learning
- Professional Competency, Subject Matter Expertise

2026 Operational Goals

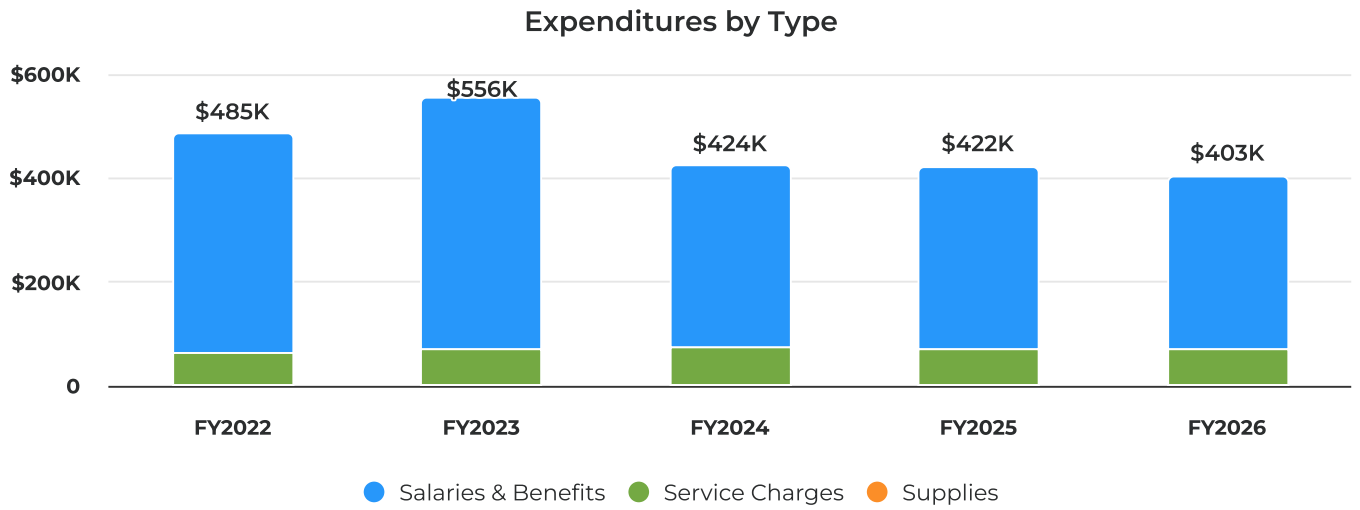
- **Enhance Customer-Centric Experience:** Enhance the "customer experience" for employees, residents, and businesses by evaluating and re-engineering all touchpoints to increase efficient, exceptional services.
- **Digital Transformation:** Commitment to "digital transformation" and smart city innovative advancements through state-of-the-art hardware, software, artificial intelligence, and analytical opportunities.
- **Continued Process Improvement:** Commitment to "process improvement" across all city operations to ensure efficiencies via data-driven decisions and return-on-investment.
- **Community and Economic Development:** Complete the Comprehensive Plan with a focus on managing growth and development across the city while strategically implementing a multi-tier economic development plan to support and enhance business activities.
- **Fiscal Ownership:** Manage finances to be in the top percentage of industry standards and ratios for municipalities. Scrutinize every cost by line-item, justifying returns while eliminating any waste identified.

Summary

Expenditure Summary

This budget decreased by $19k (5%) from the 2025 Budget primarily due to a decrease in salaries, wages and benefits and training and travel.

City Manager Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$422,466	$486,582	$348,042	$352,262	$334,285	-$17,977	-5.10%
Supplies	$728	$860	$3,604	$120	$120	-	0.00%
Service Charges	$62,126	$68,490	$71,913	$70,070	$69,005	-$1,065	-1.52%
Total Expenditures	**$485,319**	**$555,933**	**$423,559**	**$422,452**	**$403,410**	**-$19,042**	**-4.51%**

City Clerk

Description

The City Clerk's Office is a division of the Legal Department and serves as a link between the public and policy formation and facilitates the City's legislative process. The Clerk's Office assists the City Council in fulfilling responsibilities by administering required procedures involved in Council operations. The Clerk's Office is the liaison to Clallam County Elections, verifies that notices have been posted or published, and completes necessary tasks for effective and compliant public meetings. The Clerk's Office records Council decisions in meeting minutes and oversees the preservation and protection of ordinances, resolutions, the municipal code and other vital public records.

Records Management and Technology

The Clerk's Office serves as the City's Public Records Officer required by RCW 42.56.580 and serves as a point of contact for members of the public requesting disclosure of records.

The Clerk's Office seeks to increase public transparency and accessibility to City documents and records through the following technology portals: the Agenda and Minutes Portal (which hosts meeting agendas and videos together with the use of the City's YouTube channel to post meeting videos); (2) the Electronic Records Center (which allows the public to search official City records online with some documents dating back to 1913); and (3) the Public Records Request Portal where the public can submit public records requests,

Public Records Requests

In 2024, the City processed 354 record requests. These statistics include processing requests for records and body worn camera (BWC) video. There was an increase in public records requests received in 2024, which resulted in a slight increase in City staff time to process the requests. An increase in staff time is expected in 2025 as the Police Department plans to roll out in-car dash cameras.

Mission

The mission of the City Clerk’s office is to maintain open government and preserve the public record.

Key Goals

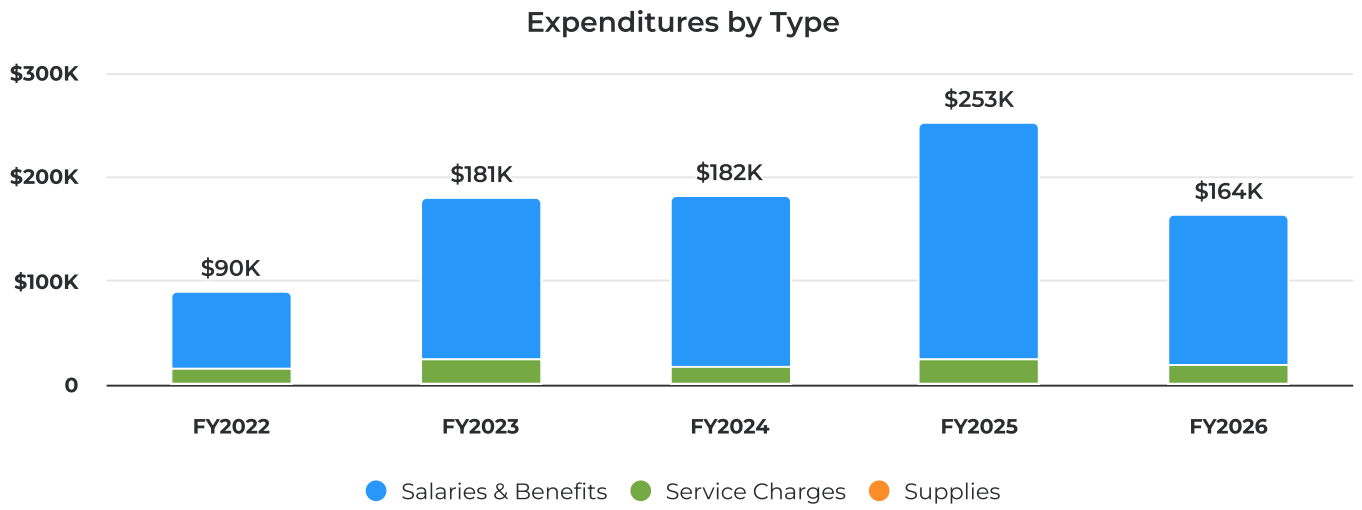
- Continue to standardize and streamline the operation of all City Advisory Bodies.
- Use technology and improved procedures to provide greater public access to public meetings, records, and information through digital transformation.
- Process and respond to public records requests in a timely, accurate, and complete manner.
- Support the City’s Public Records Officer in:
    - Updating and creating key internal processes and procedures for records management; and
    - Developing a public records training program for all members of staff and specialized records training for identified staff members; and
    - Developing and overseeing a records inventory that includes a review of digital and paper files.

Summary

Expenditure Summary

This budget decreased by $88k (35%) from the 2025 Budget primarily due to the movement of a partial full-time equivalent to the Legal Team and a corresponding decrease in training and travel.

City Clerk Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$74,511	$156,953	$164,163	$228,277	$145,773	-$82,504	-36.14%
Supplies	$260	$476	$958	$500	$500	-	0.00%
Service Charges	$14,900	$23,119	$17,060	$23,876	$18,080	-$5,796	-24.28%
Total Expenditures	**$89,671**	**$180,547**	**$182,181**	**$252,653**	**$164,353**	**-$88,300**	**-34.95%**

City Attorney

Description

The City Attorney serves as legal advisor to the City Council, City Manager, City boards and commissions, and to City staff on issues related to City business. This Department helps conduct City business and reduces risk of loss caused by legal issues. It pursues civil litigation authorized by Council, statute, or ordinance; defends the City in civil litigation; prepares and reviews Council agenda items, contracts, and interlocal agreements; assesses compliance with statutes, regulations, and rules; recommends and drafts changes to the Sequim Municipal Code, internal policies, and procedures; and advises Staff and Council on a variety of City issues. The Department continues to work closely with Human Resources on personnel and collective bargaining matters.

Risk Management and Claims

The Legal Department took over primary responsibility for risk management/claims, municipal code revisions, and ensuring Citywide compliance with contracting laws and policies in 2019, with Council's approval of a new paralegal position. Claims that do not reach risk pool deductible levels are handled internally by the Legal Department. Claims for 2024 were down from 2023 and consisted of 27 property claims and 0 tort claims. The Legal Department also partners with Human Resources to examine worker injuries and to conduct our internal training program to incorporate risk identification and management into those areas as well.

The City's commitment to risk management comes through when compared to our risk pool group. The City of Sequim is in Group 2, which is comprised of 29 members and based upon the number of worker hours. In 2024, the City performed better than expected in total costs and actual number of claims. Our risk pool expected the City to have 31 claims, but actual claims were only 16; similarly, expected total cost of claims was $526k, but our actual costs were only $161k.

The Clerk's Office

In 2022, the Legal Department also took over supervision of the City Clerk's Office, which provides much-needed support for the Clerk. As part of the Department's new Clerk responsibilities and to mitigate risk, the Department began addressing critical needs in our records management and public records processes. Software acquired in recent years has streamlined many of these processes, and we continue to assess opportunities for improvement.

Municipal Code/Internal Guidelines and Procedures

The Department continues to work with other departments to send numerous municipal code revisions to City Council. Between July 2024 and July 2025, the City Council has adopted, amended, or repealed 220 sections of the Sequim Municipal Code (20 repeals; 41 adoptions; 159 amendments). Council can expect to see continued code adoptions, amendments, and repeals throughout the remainder of 2025 and well into 2026 as part of the Comprehensive Plan process.

Mission

The mission of the City Attorney's Office is to use the law to protect and promote sound public policy.

Key Goals

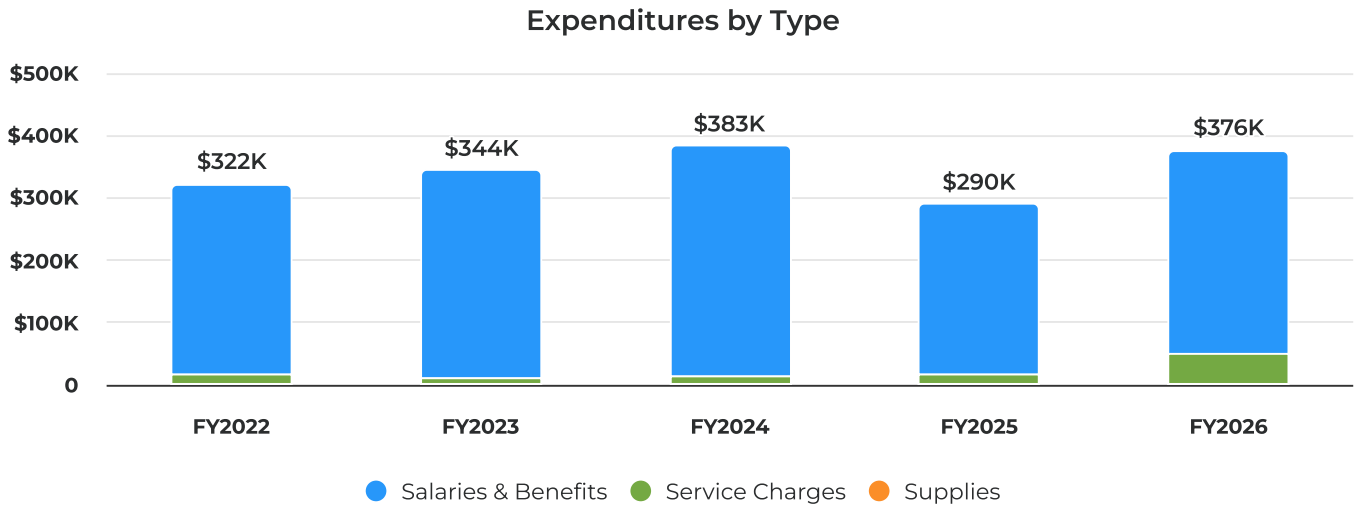
- Continue to minimize unnecessary legal costs
- Continue to update, streamline, and process improve the Sequim Municipal Code and City forms and policies
- Continue involvement with the legal aspects of Human Resources
- Continue primary responsibility for Risk Management

Summary

Expenditure Summary

This budget increased by $86k (30%) from the 2025 Budget due to the movement of a partial full-time equivalent from the Clerks Team to the Legal Team. Additionally, legal-related professional services were added to support the Comprehensive Plan update as well as complicated development activities.

City Attorney Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$304,991	$333,775	$369,231	$274,706	$325,075	$50,369	18.34%
Supplies	$431	$420	$611	$300	$300	-	0.00%
Service Charges	$16,269	$9,859	$12,846	$14,831	$50,680	$35,849	241.72%
Total Expenditures	**$321,690**	**$344,055**	**$382,687**	**$289,837**	**$376,055**	**$86,218**	**29.75%**

Communications

Description

This office develops and implements various strategies as they relate to both internal and external communications and supports community engagement programs. The Communications Director serves as an internal consultant to the City Council, City Manager and other departments, as requested, on communication strategies and methods, serves as a City liaison to community organizations, advises on or handles high profile media issues, produces and oversees the publication of the monthly newsletter, oversees social media programs, and assists internal departments with website content.

Mission

The mission of the Communications Office is to communicate for an engaged and informed community.

Key Goals

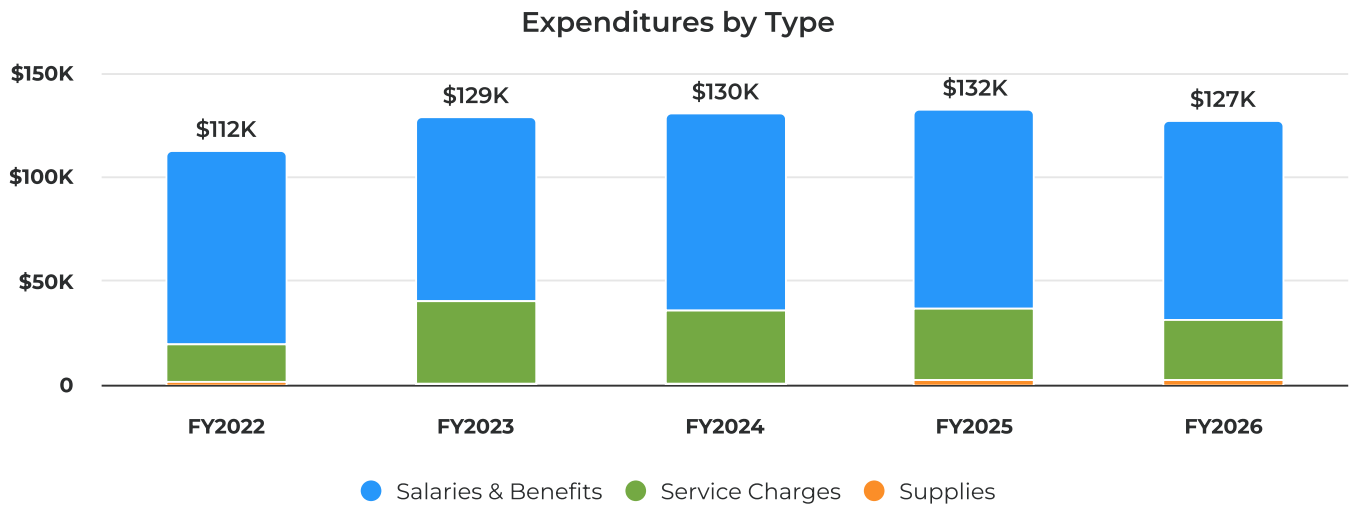
- Work with other departments to support community outreach and engagement programs to further enhance customer-centric experiences.
- Continue the distribution of the monthly newsletter through utility billings, to residents in multi-unit facilities when possible, and publication in the local newspaper. Continue to grow subscriptions to the digital e-newsletter.
- Continue to focus on emergency management communications.
- Continue the internal website committee for self-training and best practices to ensure we are getting the most out of this communications resource for our customers.
- Continue to develop social media resources as a communications tool for Sequim citizens by developing an internal social media committee that will work together on content and scheduling. Develop the new City of Sequim Instagram account to reach a more diverse demographic through social media.

Summary

Expenditure Summary

This budget decreased by $5k (4%) due to movement of the $20k Customer Satisfaction Survey to 2027, as staff continue to work initiatives from the action plans generated in 2024. There is a slight increase for newsletter mailings in anticipation of rising postage costs and due to moving to the next tier on the subscription service for the e-newsletter due to the number of subscribers.

Communications Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$92,755	$88,223	$94,316	$95,252	$95,857	$605	0.64%
Supplies	$1,448	$712	$405	$2,200	$2,200	-	0.00%
Service Charges	$17,961	$39,808	$35,461	$34,570	$28,530	-$6,040	-17.47%
Total Expenditures	**$112,164**	**$128,743**	**$130,182**	**$132,022**	**$126,587**	**-$5,435**	**-4.12%**

Human Resources

Description

The Human Resources department covers a broad range of responsibilities including the following:

- Talent Acquisition and Recruitment: Attracting top talent to fill critical positions within the City through strategic and inclusive recruitment practices.
- Employee Development and Training: Providing targeted training and development opportunities to foster the growth and success of City employees.
- Performance Management: Ensuring a performance management framework that aligns employee goals with the City's objectives, building accountability and continuous improvement.
- Compensation and Benefits: Administering competitive compensation packages and benefits that reflect market data while appropriately valuing our employees and their contributions to the community.
- Employee Relations: Nurturing a collaborative and harmonious work environment by addressing concerns, promoting effective communication, and facilitating conflict resolution.
- Diversity, Equity, and Inclusion: Leading initiatives that uphold principles of equity, diversity, and inclusivity in all aspects of City employment practices.
- HR Policy and Compliance: Developing, communicating, and enforcing HR policies that adhere to legal requirements and uphold the City's commitment to ethical conduct.
- Safety and Wellness: Prioritizing the total well-being of our employees through health and safety programs that ensure their physical and mental health.
- HR Information Systems: Leveraging technology to streamline HR processes, maintain accurate records, and empower employees with self-service tools.
- Strategic Planning: Collaborating closely with City leadership to align HR strategies with the City's vision, goals, and long-term plans.

Mission

The Human Resources Department is dedicated to empowering an engaged and productive culture.

Key Goals

- Negotiate fair contracts for union groups.
- Partner with professional consultant to implement compensation and benefits recommendations for non-represented staff.
- Build upon Gallup Engagement Survey results and participation to increase employee engagement and reduce turnover.
- Foster a range of professional development opportunities to enhance employees' skills, foster career growth, and prepare them for leadership roles.
- Implement an integrated HR information system to streamline processes, enhance data accuracy, and empower employees with self-service options.
- In partnership with the Legal Department, regularly review and update HR policies and practices to ensure alignment with local, state, and federal employment laws and ethical guidelines.
- Continue to grow safety and wellness programs that support employees' physical and mental health, promoting a balanced and resilient workforce.

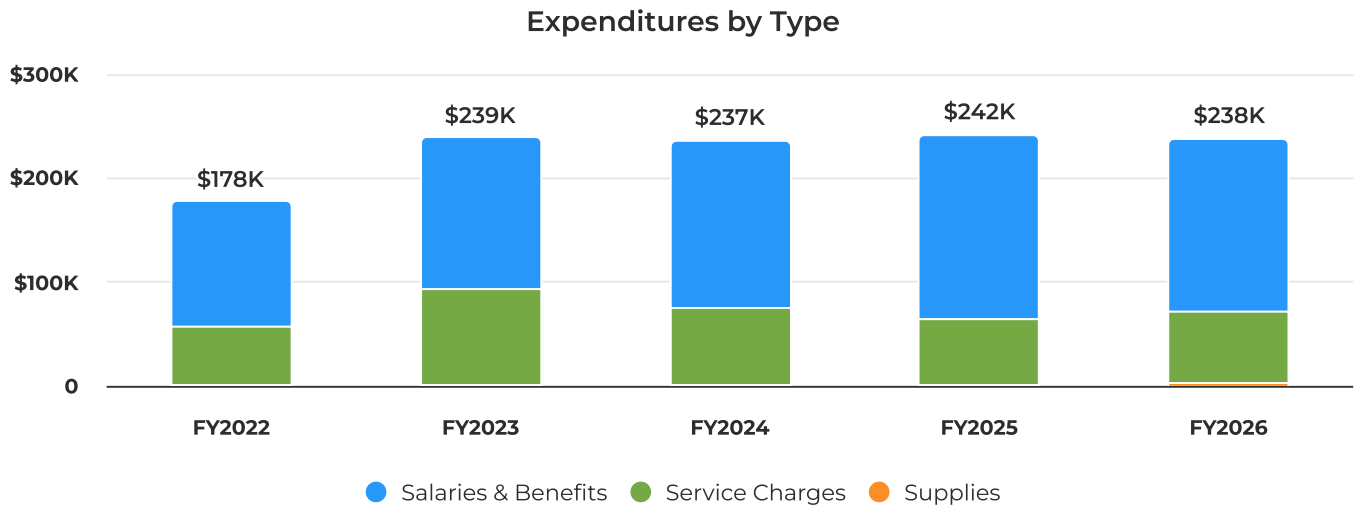
By focusing on these key goals, the Human Resources Division of the City of Sequim will contribute to building a thriving, diverse, and engaged workforce that supports the City's mission of enhancing the quality of life for its residents.

Summary

Expenditure Summary

This budget decreased by $4k (1%) from the 2025 Budget due to net effect of increases in the allocation of costs related to personnel matters out to other departments (based upon FTE count) and increases in training and travel.

Human Resources Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$121,535	$145,070	$161,853	$178,116	$166,185	-$11,931	-6.70%
Supplies	$865	$1,675	$377	$1,250	$2,500	$1,250	100.00%
Service Charges	$55,478	$92,252	$74,500	$62,350	$69,450	$7,100	11.39%
Total Expenditures	**$177,878**	**$238,997**	**$236,730**	**$241,716**	**$238,135**	**-$3,581**	**-1.48%**

Criminal Justice Services

Description

These activities have been contracted with Clallam County. The contract provides a flat fee for prosecution, public defense, court, and jail services, which provides more stability to the City's budget.

Key Goals

- Find stability in administering Criminal Justice Services.
- Continue to engage Clallam County regarding the current contract for Criminal Justice Services.

Summary

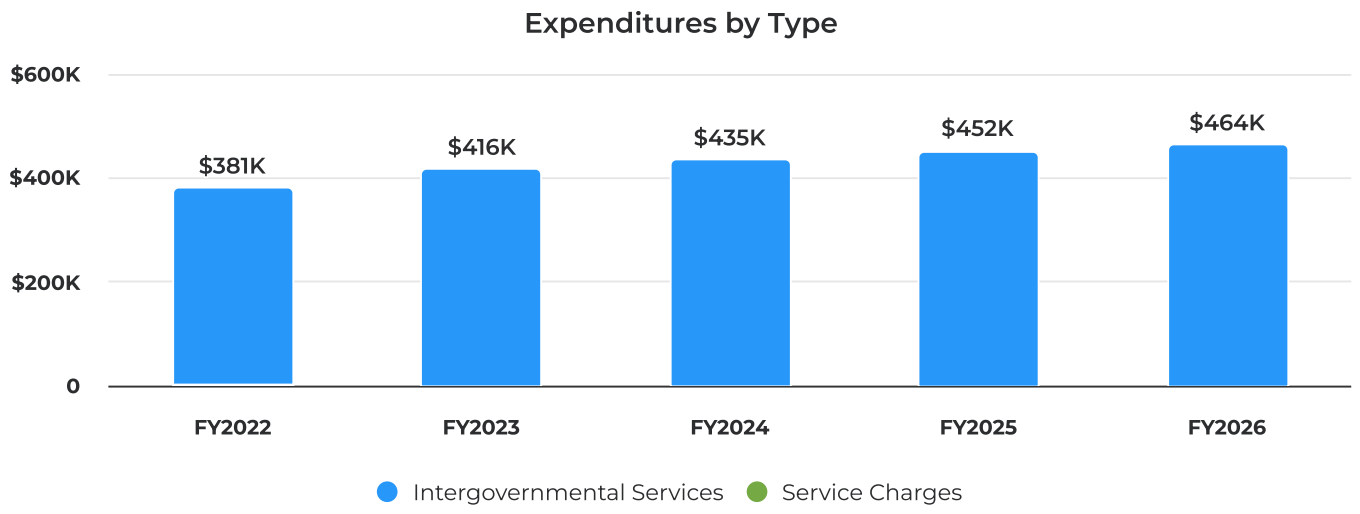
Revenue Summary

All revenues associated with Court go to Clallam County per the contract.

Expenditure Summary

The City has an agreement with the County for flat-rate Criminal Justice Services, including Municipal Court, prosecution, defense and jail services. $320k – the original contract in 2016 - plus an annual adjustment per the CPI-W Seattle-Tacoma-Bremerton. This particular contract expires at the end of 2025 and is currently being negotiated, so the actual cost of these services is unknown at this time. For 2026, the same assumptions of the prior contract were used, which resulted in a increase of $12k (2.7%) for a total cost of $464k. All salary, wages and benefits for the City Attorney staff are recorded in the City Attorney's budget.

Criminal Justice Services Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Service Charges	$206	-	-	-	-	-	-
Intergovernmental Services	$380,297	$416,425	$435,164	$451,700	$463,896	$12,196	2.70%
Total Expenditures	**$380,502**	**$416,425**	**$435,164**	**$451,700**	**$463,896**	**$12,196**	**2.70%**

IT (Information Technology)

Description

The Information Technology (IT) Department supports the City by delivering secure, reliable, and innovative technology solutions. The team manages the City's networks, servers, cybersecurity, applications, records systems, and end-user support while also providing project management, training, and policy development. By aligning technology with citywide goals, the department enhances operational efficiency, strengthens communication, and empowers staff to provide exceptional public service to the community.

Mission

The mission of the IT Department is to deliver responsive, reliable, and secure technology solutions that empower City Hall personnel and all city departments to serve the community effectively, enhance operational efficiency, and meet the evolving needs of Sequim residents.

Key Goals

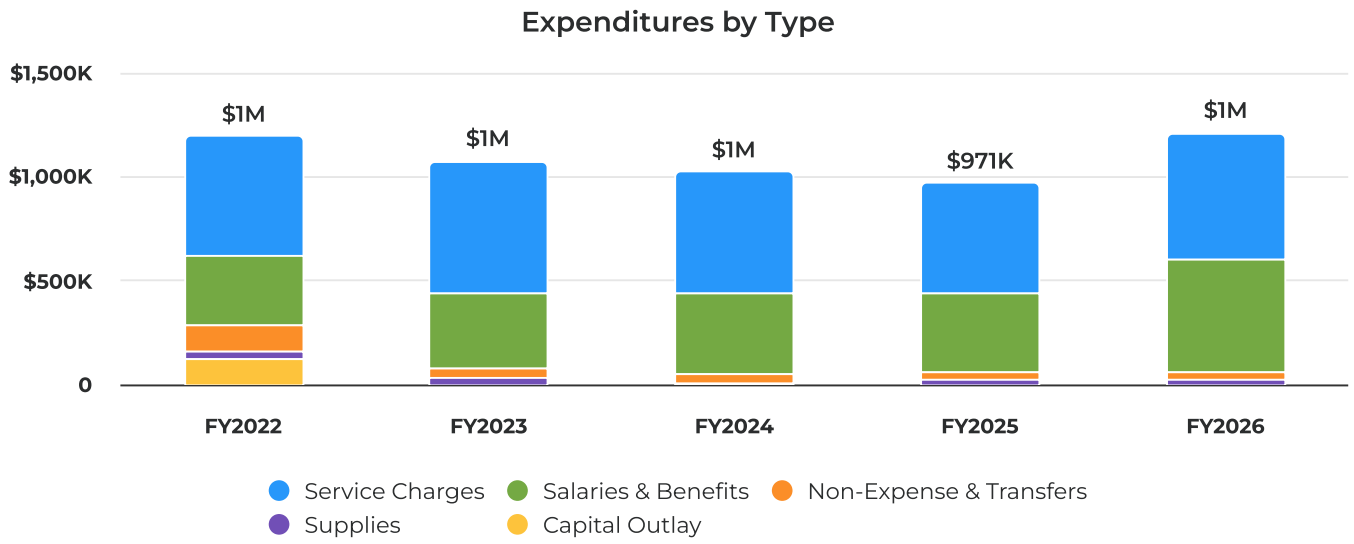
- Strengthen Security and Reliability of City Systems
- Improve IT Support Responsiveness and Service Quality
- Drive Innovation and Modernization of City Technology
- Optimize IT Resources and Financial Stewardship
- Foster Collaboration and Staff Enablement
- Support Citywide Sustainability Goals through Technology
- Enhance Resident Experience through Digital Services
- Ensure Transparency and Open Government through Data Access

Summary

Expenditure Summary

This budget increased by $240k (25%) from the 2025 Budget due to increases in salaries, wages and benefits (as a result of filling open positions at higher levels than budgeted in prior years as well as movement of the GIS Technician position from Engineering) and additional costs associated with software subscriptions.

IT Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$122,800	$46,400	$46,400	$30,000	$30,000	-	0.00%
Salaries & Benefits	$332,995	$361,208	$380,490	$385,088	$545,826	$160,738	41.74%
Supplies	$39,356	$30,353	$7,018	$25,900	$25,900	-	0.00%
Service Charges	$580,769	$637,166	$587,876	$529,979	$609,117	$79,138	14.93%
Capital Outlay	$119,998	-	-	-	-	-	-
Total Expenditures	**$1,195,918**	**$1,075,126**	**$1,021,784**	**$970,967**	**$1,210,843**	**$239,876**	**24.70%**

Hotel/Motel

Description

This function is responsible for managing the Hotel/Motel tax budget and utilizing the available monies to increase tourism to Sequim. The function works with the Lodging Tax Advisory Committee to develop plans for tourism promotion which may include advertising, publication development, public relations programs, websites, special events, and social media activities. The Communications and Marketing Director is responsible for the overall plan and its implementation. This position also functions as the liaison to other tourism organizations. Tourism is an important economic driver in Sequim and supports the City Council goal that relates to Economic Development.

The Sequim Sunshine Festival's first voyage occurred in 2020 and was developed to increase tourism during a typically slow time of year for travel. A modified version of the festival took place in 2021, but a full festival was executed in 2022 an has continued to grow and expand each year. In 2025 the Parks and Events Division began managing the operations of the Sunshine Festival, and Communications and Marketing remain responsible for the promotion and marketing of the event. The budget includes funds to continue to support this growing event including the illuminated drone show and to better accommodate participants should the weather turn unpleasant. The festival continues to grow and is beginning to draw more participants from out of the area, as it was intended.

The budget also continues to includes some additional funds to help cover the cost of staff for the Sunshine Festival, Independence Day Celebration, and the Hometown Holidays events.

In 2023, Clallam County initiated the development of a Tourism Strategic Master Plan for the Olympic Peninsula. Sequim participated by having a representative on the Leadership Team for the plan development. The five-year plan was completed and presented in the spring of 2024 with five short- term priorities. Committees of tourism professionals across the Olympic Peninsula have been established to develop more specific plans to accomplish those five priorities. The 2026 Lodging Tax budget includes $5,000 (less than 1% of 2024 tax revenue) to support the implementation of moving plans forward to accomplish these priorities.

Mission

The mission of Hotel/Motel operations is to promote Sequim to increase tourism.

Key Goals

- Continue to build social media followers by developing campaigns and targeting ads to the Seattle metro area, including more video for social media
- Continue to market Sequim in the Northwest region through print and digital advertising, publications, media relations, and co-op partnerships
- Continue to offer increased available funds and maintain the increased limit per grant for Tourism Enhancement Grants to support local festivals and events
- Work with internal and external partners to build on the 2025 success of the Sequim Sunshine Festival for the winter of 2026 (one of the slowest times of the year for tourism). Events include the Sun Fun Color Run, illuminated drone show, community art projects, lighting events, live music, and market place. The planning committee is working on utilizing tents to increase indoor space and rearranging events to best utilize the Guy Cole Event Center. The Parks and Events division of Public Works now manage the operations of the Sunshine Festival and other City sponsored events, but funding for tourism driven special events will remain in the Hotel/Motel fund. Marketing and promotion of City sponsored events will remain the responsibility of the Communications and Marketing Director in collaboration with event organizers.
- Provide support for the Independence Day Celebration. The event is for the Sequim community and visitors. Half of the event will continue to be funded out of lodging tax, with the other half from Parks.

- Serve as committee chair for the "The Olympic Peninsula is More Than a Park" promotional program, one of the short-term goals of the Olympic Peninsula Tourism Strategic Master Plan and work with area partners to develop diverse itineraries to assist visitors in planning their visit.

Summary

Revenue Summary

Lodging tax revenues reflect a very small increase over the 2025 budget. The fund had a slow start in 2025 due to the renovation of one of the largest hotels in the City. This affected room availability and, therefore revenue. Summer tourism is strong and the year is expected to end with comparable tax collection to 2024.

The Sunshine Festival continues to build its sponsorship base to help to support the event financially and with community involvement.

Expenditure Summary

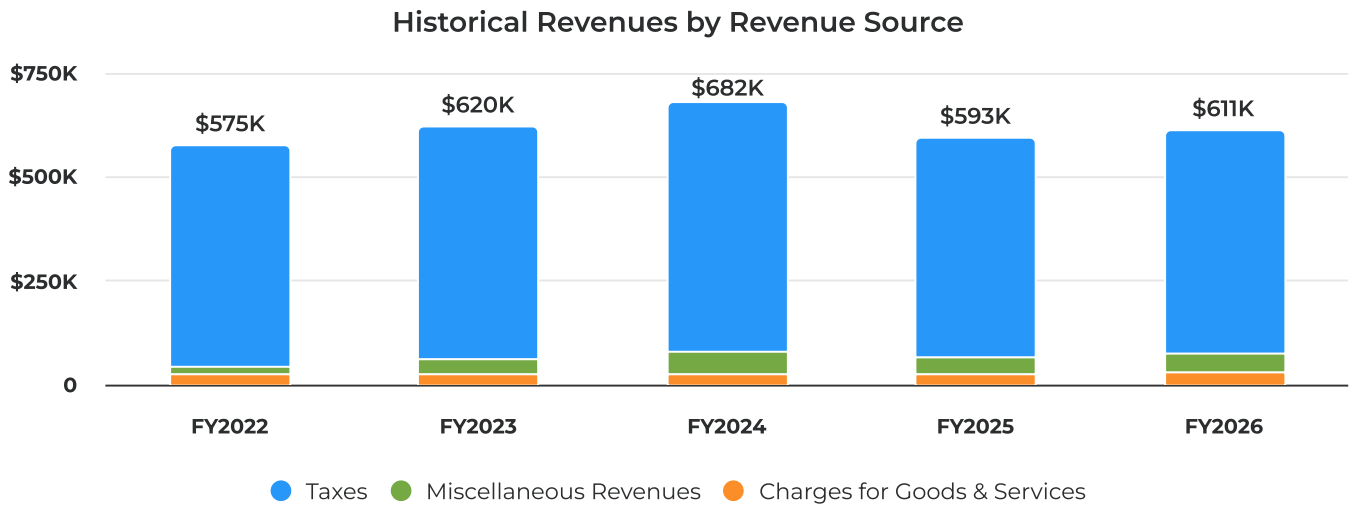
This budget increased by $16K (3%) from the 2025 Budget due to a slight increase in salaries, wages and benefits and other increases noted below. Staff salary allocation for the Communications and Marketing Director remains at a 50-50 split between tourism marketing and city-wide communications functions. The part-time Marketing Coordinator position salary is split 80% from hotel/motel and 20% from the General Fund Communications budget. This allows flexibility for the position to provide back-up support for the Director in general communications. Other increases include expansion of the tourism enhancement grant program, more advertising and additional sunshine festival expenses.

The Sunshine Festival's expenses include professional services to produce specific events, such as the color run and the illuminated drone show; supplies to support the event; and marketing of the event to the greater Seattle area. The 2026 budget continues to include a large tent to accommodate more activities and shelter in the event of inclement weather. It also includes and increase for the Color Run management in anticipation of increased registration, as reflected in 2025.

Standard expenses, such as printing, brochure distribution, and advertisements, have been adjusted for inflation.

Expenses increased moderately to accommodate salary adjustments, ongoing investment in the Sequim Sunshine Festival, and general inflation.

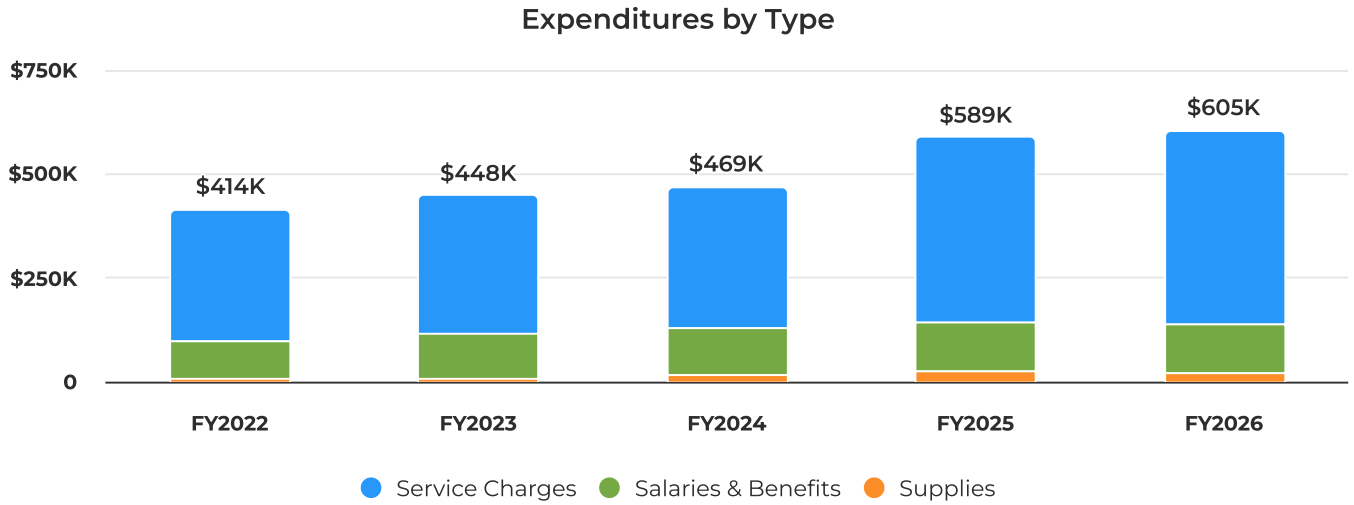
Hotel/Motel Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$533,464	$559,707	$604,403	$525,500	$535,500	$10,000	1.90%
Charges for Goods & Services	$25,600	$22,705	$23,294	$23,700	$29,600	$5,900	24.89%
Miscellaneous Revenues	$15,645	$37,857	$54,267	$43,600	$46,000	$2,400	5.50%
Total Revenues	**$574,709**	**$620,269**	**$681,965**	**$592,800**	**$611,100**	**$18,300**	**3.09%**

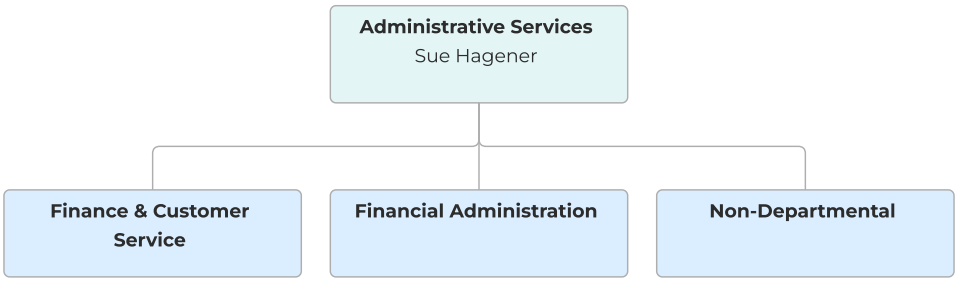
Hotel/Motel Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$90,087	$107,400	$117,039	$117,585	$118,160	$575	0.49%
Supplies	$8,475	$7,383	$13,594	$24,402	$21,052	-$3,350	-13.73%
Service Charges	$315,463	$333,360	$338,712	$447,155	$466,038	$18,883	4.22%
Total Expenditures	**$414,025**	**$448,143**	**$469,344**	**$589,142**	**$605,250**	**$16,108**	**2.73%**

Administrative Services Organization



Finance & Customer Service

- Utility Billing/Customer Service
- Receipting/Cashier
- Accounting
- Accounts Payable
- Payroll
- Grants/Contracts
- Financial Reporting
- Budgets
- Cost Allocation
- Financial Analysis

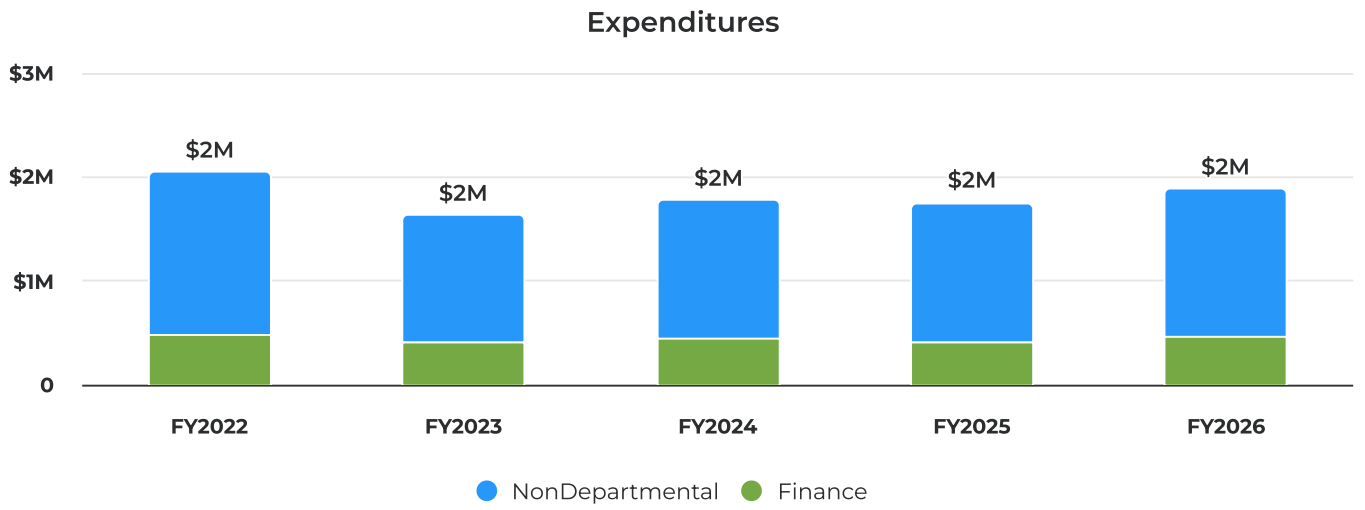
Financial Administration

- Cash Management
- Affordable Housing
- Development Reserves
- REET
- Equipment Reserve
- American Rescue Plan Act
- Rainy Day Fund
- Debt Service
- Trust and Agency Funds

Non-Departmental

- City-wide Indirect Expenses
- Community Service Contracts
- Contingency Budget
- Transfers
- Risk Management and Insurance Support
- Other Shared Costs

Administrative Services Expenditures by Department



Expenditures

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Finance	$470,823	$397,853	$450,754	$403,002	$462,174	$59,172	14.68%
NonDepartmental	$1,580,269	$1,231,193	$1,328,945	$1,343,150	$1,418,350	$75,200	5.60%
Total Expenditures	**$2,051,093**	**$1,629,046**	**$1,779,698**	**$1,746,152**	**$1,880,524**	**$134,372**	**7.70%**

Finance

Description

The Finance Department oversees all financial functions of the City, the integrity of the City's financial records and ensures that public dollars are spent according to the approved budget. Staff assists other departments in budgeting and financial reporting, financial planning and analysis of projects, purchasing and bidding regulations, complying with grant requirements, and financing capital projects. The City is audited by the State Auditor and has had a clean audit for over 31 years (based on available documents going back to 1992). This function also provides customer service for the City's Water and Sewer utilities, serves as the central reception for the City, and responds to a wide variety of citizen inquiries.

Mission

The mission of the Finance Department is to provide the foundation for the City's fiscal health.

Key Goals

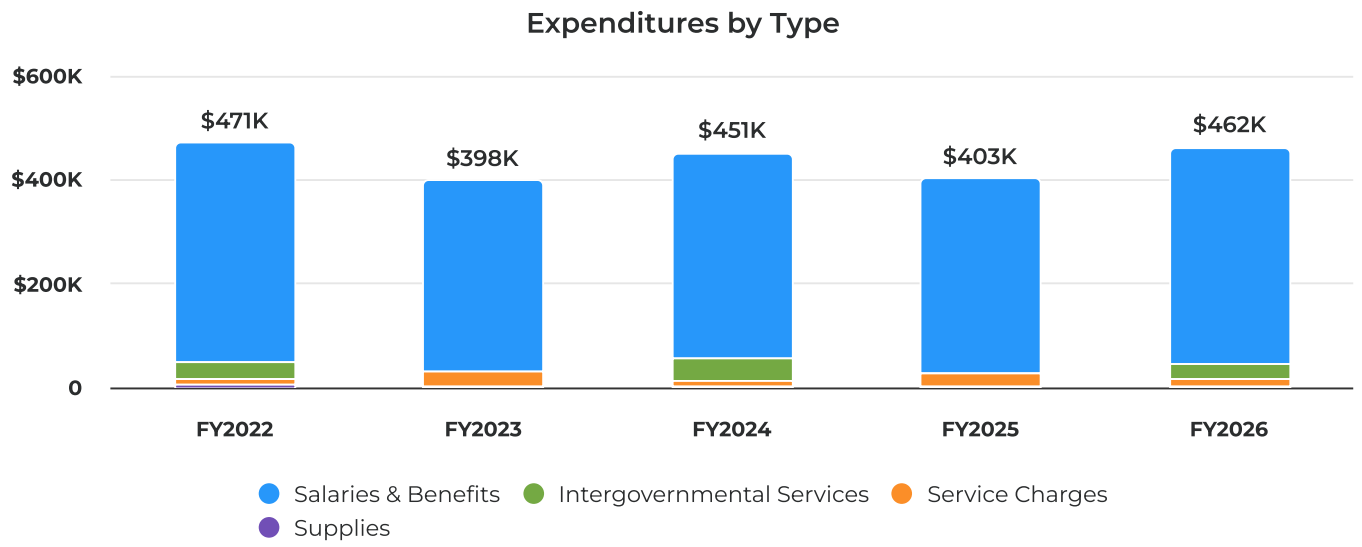
- Continue to maintain a high quality level of service.
- Continue to maintain the highest level of compliance with State Auditor reporting and internal control requirements.
- Continue to ensure prompt debt service payments and responsible reporting to rating agencies.
- Continue support of key Council Goals.
- Continue to improve all key financial processes with new technology.

Summary

Expenditure Summary

This budget increased by $59k (15%) from the 2025 Budget due to the net effect of increases in staff salaries, wages and benefits, a reduction in training and travel costs and increases in expenses for an annual audit by the Office of the Washington State Auditor.

Finance Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$421,035	$367,796	$396,306	$376,037	$416,149	$40,112	10.67%
Supplies	$3,764	$2,654	$1,994	$3,180	$2,540	-$640	-20.13%
Service Charges	$13,787	$27,403	$12,075	$23,785	$13,485	-$10,300	-43.30%
Intergovernmental Services	$32,238	-	$40,378	-	$30,000	$30,000	-
Total Expenditures	**$470,823**	**$397,853**	**$450,754**	**$403,002**	**$462,174**	**$59,172**	**14.68%**

Non-Departmental

Description

Non-Departmental shared costs are those that benefit city-wide operations. Also included are Community Services (Human and Health) contracts, General Fund contingencies, and Street Operation Transfers.

Key Goals

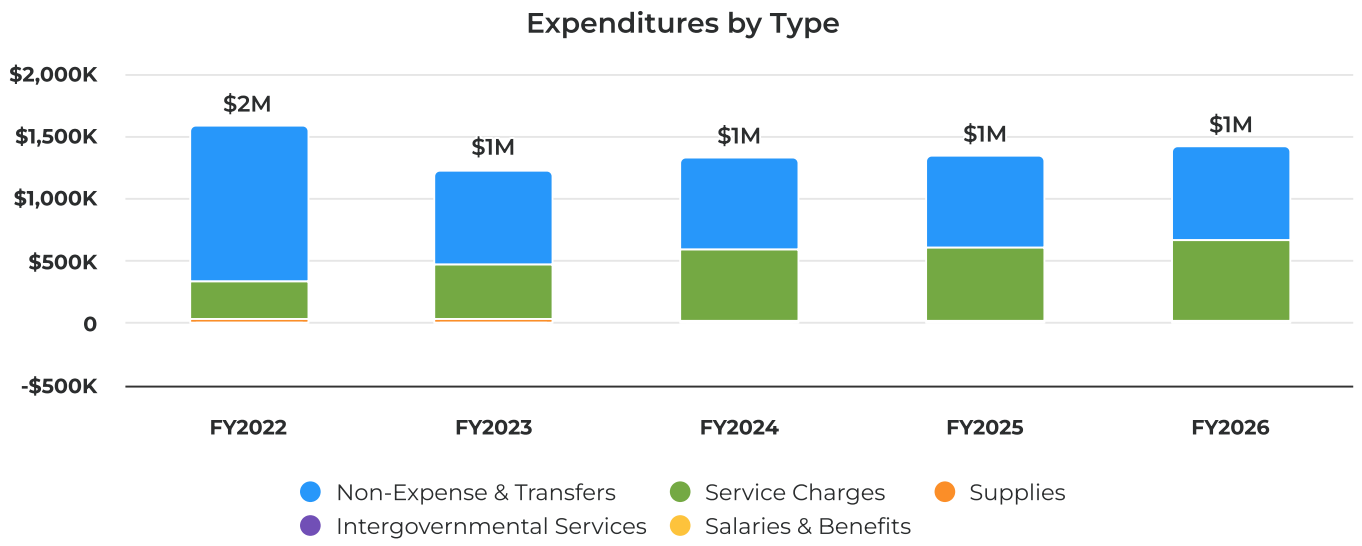
- Review and coordinate community investments.
- Manage the use of contingency funds.
- Manage transfers.

Summary

Expenditure Summary

This budget increased by $75k (6%) from the 2025 Budget due to the net effect of increases in service charges that include the annual WCIA insurance assessment and contingency, increases out to Street Operations and reductions in supplies.

Non-Departmental Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$1,249,000	$755,000	$739,996	$740,000	$751,000	$11,000	1.49%
Salaries & Benefits	-$513	-$150	-$13	-	-	-	-
Supplies	$25,012	$27,625	$19,987	$26,350	$19,700	-$6,650	-25.24%
Service Charges	$303,698	$445,319	$563,468	$576,200	$647,050	$70,850	12.30%
Intergovernmental Services	$3,072	$3,399	$5,507	$600	$600	-	0.00%
Total Expenditures	**$1,580,269**	**$1,231,193**	**$1,328,945**	**$1,343,150**	**$1,418,350**	**$75,200**	**5.60%**

Affordable Housing HB 1406

Description

State House Bill 1406 was passed in 2019. This bill authorized a local sales tax option that is a credit against the state sales tax rate of 6.5% and is not a new tax. The City decided to participate in this tax credit and created a fund to account for these tax receipts. The funds can be used for:

- Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services; or
- Funding the operations and maintenance costs of new units of affordable or supportive housing, or
- Providing rental assistance to tenants.

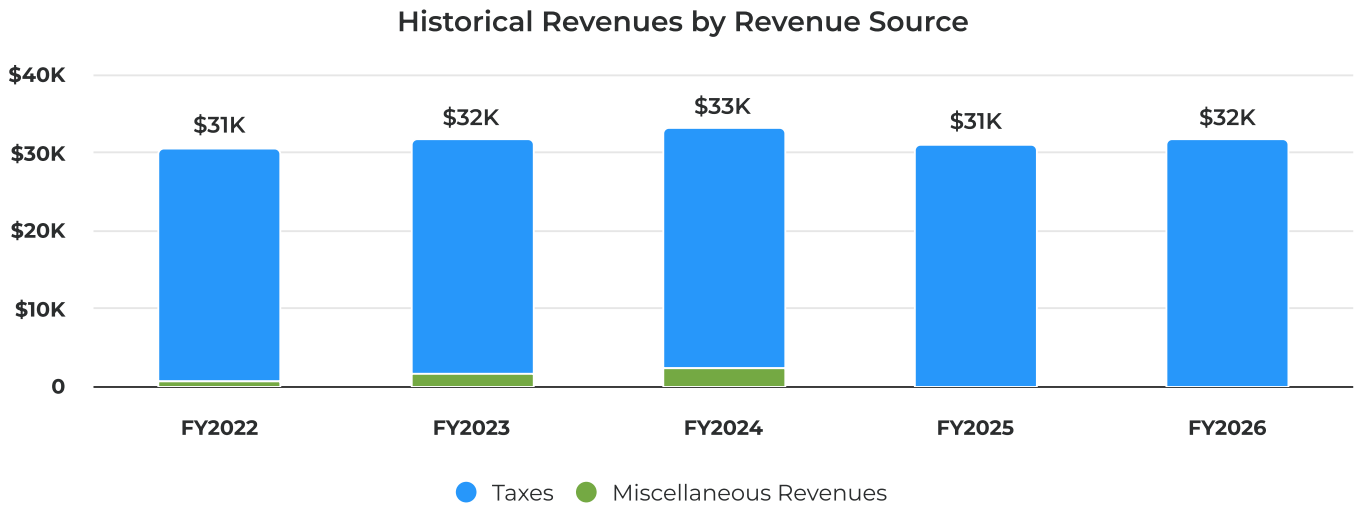
There is a broad discretion in how these funds can be expended as long as actions target housing and programs serving persons whose income is at or below sixty percent of the median income of the county or city imposing the tax.

When Council agreed to accept these tax receipts in 2020, the intent was to accumulate funds for at least three years to increase the "buying" power. Tax receipts began in October 2020 and approximate $30k per year.

Key Goals

- Accumulate tax receipts in this fund until Council authorizes an appropriate use.

Affordable Housing HB 1406 Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$29,968	$30,182	$30,774	$30,990	$31,604	$614	1.98%
Miscellaneous Revenues	$578	$1,449	$2,304	-	-	-	-
Total Revenues	**$30,546**	**$31,631**	**$33,078**	**$30,990**	**$31,604**	**$614**	**1.98%**

Development Reserves

Department Description

This is a new fund created in 2024 to account for large development revenues and related expenditures (e.g., on-call engineering for site construction inspections). Frequently, large development revenues are collected one year, and not expended until years later. So, the purpose of this fund is to eliminate the volatile and unpredictable nature of these transactions from the General Fund. It also serves as a better accounting mechanism for tracking the recovery of expenditures related to development reviews.

Key Goals

- Properly account for large development-related revenues and expenditures.

Development Reserves Revenues

Revenues are balanced with expenditures and are an estimate until further data can be collected on these transactions.

Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	-	-	-$1,000	$250,000	$250,000	-	0.00%
Other Increases in Fund Resources	-	-	$105,831	-	-	-	-
Total Revenues	**-**	**-**	**$104,831**	**$250,000**	**$250,000**	**-**	**0.00%**

Development Reserves Expenditures

Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Service Charges	-	-	$206,926	$250,000	$250,000	-	0.00%
Total Expenditures	**-**	**-**	**$206,926**	**$250,000**	**$250,000**	**-**	**0.00%**

Real Estate Excise Taxes

Revenues of the Real Estate Excise Taxes (REET) Fund are based on the selling price of real estate sold within the City limits and are collected and distributed by the Clallam County Treasurer. They are restricted as to the first and second ¼% of Real Estate Excise Taxes (REET1 and REET2) and are recorded separately according to RCW Title 82 – Excise Taxes.

The revenues generated by the first ¼% (REET1) of these assessments shall be used solely for financing capital projects specified in a capital facilities plan element of the comprehensive plan and housing relocation assistance under RCW 59.18.440 and 59.18.450. Capital projects include public works projects for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, stormwater systems, sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects.

The second ¼% (REET2) is restricted to use for street, water and sewer acquisitions. Capital projects include those noted above but specifically excludes facilities. The definition continues: “and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks”. It excludes acquisition and replacement. Recent legislation (RCW 82.46.035(6)) adds certain eligible projects related to facilities for those experiencing homelessness and affordable housing, with some limitations and reporting requirements (expires January 1, 2026). Finally, interest earned by REET 1 and 2 must be used on the same basis as the underlying funds.

REET funds are being used for Capital Facility, Streets, and Parks projects and will help pay the debt service on the LTGO bonds issued for the Civic Center. Use of beginning fund balance is budgeted.

Key Goals

- Record and manage Real Estate Excise Taxes as required by RCW 82.

Summary

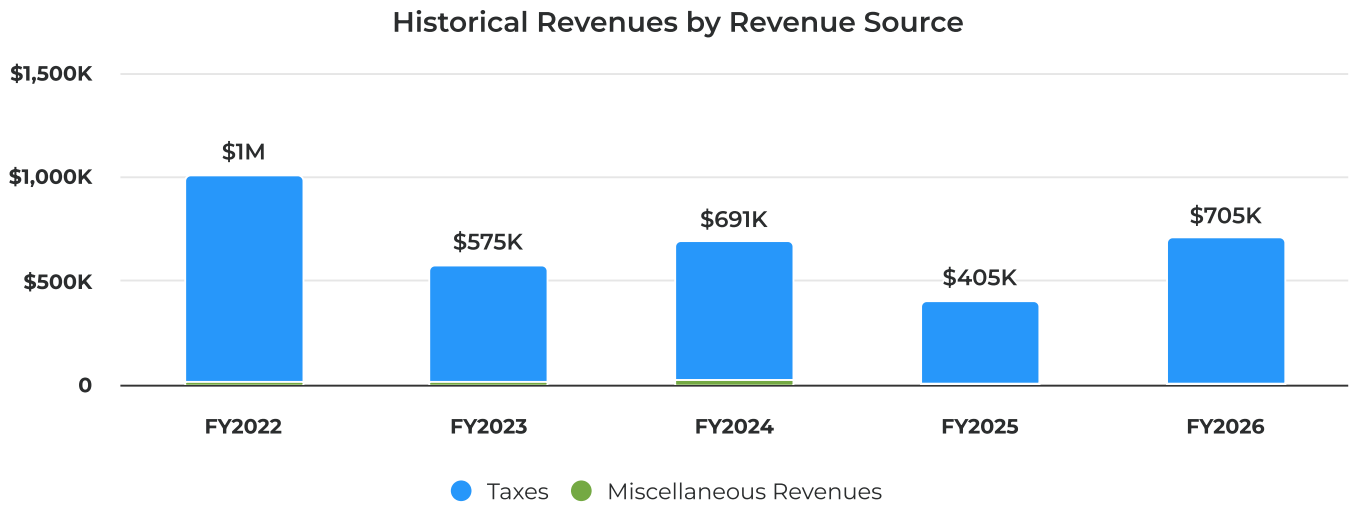
Revenue Summary

2026 revenues for both REET 1 and 2 are budgeted at $700k, based on reasonable assumptions for the continuing real estate market activity.

Expenditure Summary

REET 1 and 2 expenses are budgeted at $880k and consist of transfers to other funds to support budgeted or future projects as follows: $545k for the City Shop Covered Storage project, $200k for City-wide pavement preservation, $35k for future parks projects and $100k to Civic Center LTGO Debt Service.

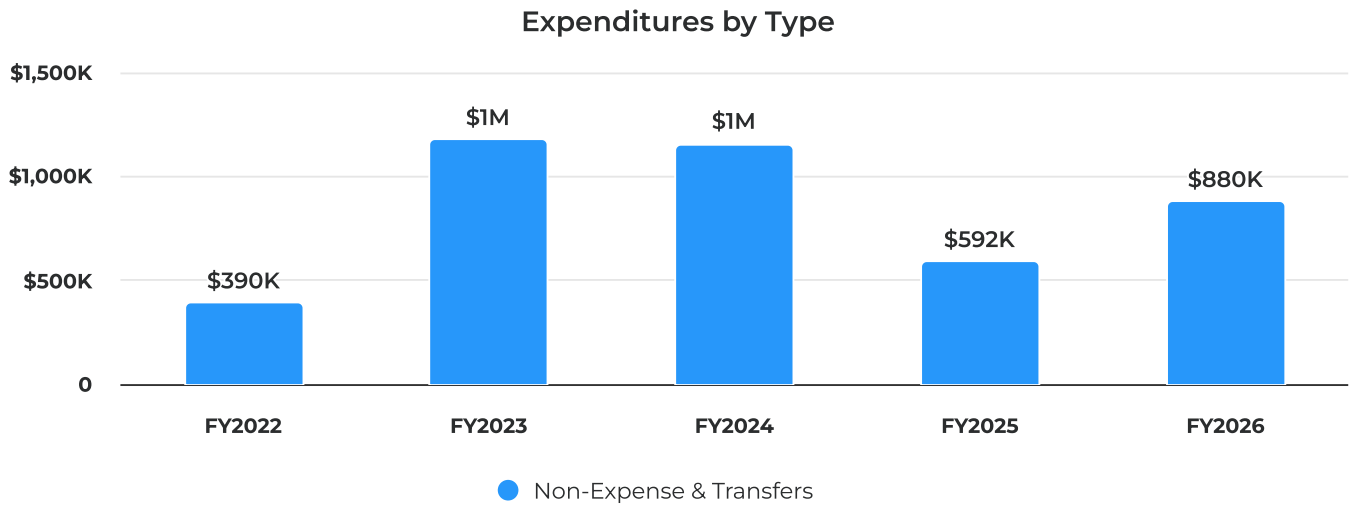
Real Estate Excise Taxes Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$993,917	$561,359	$672,931	$400,000	$700,000	$300,000	75.00%
Miscellaneous Revenues	$14,641	$14,051	$18,250	$5,450	$5,450	-	0.00%
Total Revenues	**$1,008,558**	**$575,410**	**$691,181**	**$405,450**	**$705,450**	**$300,000**	**73.99%**

Real Estate Excise Taxes Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$390,000	$1,175,000	$1,155,000	$591,500	$880,000	$288,500	48.77%
Total Expenditures	**$390,000**	**$1,175,000**	**$1,155,000**	**$591,500**	**$880,000**	**$288,500**	**48.77%**

Arts & Culture - Arts Commission Programs

Description

This program is supported by funds allocated for public art and cultural events and activities such as the First Friday Art Exhibits organized by the Sequim Arts Commission (SAC). The program also provides a small monetary award for students recognized in the High Schools of the Olympic Peninsula Creative Arts and Crafts exhibit per the revised Public Arts Policy. This program is additionally supported by donations and sponsorships from the community to underwrite the cost of arts & cultural programs, as well as provide art in public spaces. Any public art donations must meet City guidelines (i.e. design standards for structures) as applicable. In 2020, this program started to receive additional funding from the General Fund.

In 2019, Public Works added a 0.38 Full Time Employee (FTE) ($22k) part-time non-benefited position to carry out the SAC's Strategic Plan and support the Commission's work. In 2022, the FTE was increased to .44. The position remains at .44 into 2026.

Mission

The mission of Arts and Culture Programs is to encourage, support and facilitate various forms of artistic and cultural activities within the greater Sequim community.

Key Goals

- Implement the Sequim Arts Commission’s 2026 Strategic Plan for education, community collaboration and outreach.
- Continue providing community and public art opportunities, such as community art workshops and art education with outside organizations.

Summary

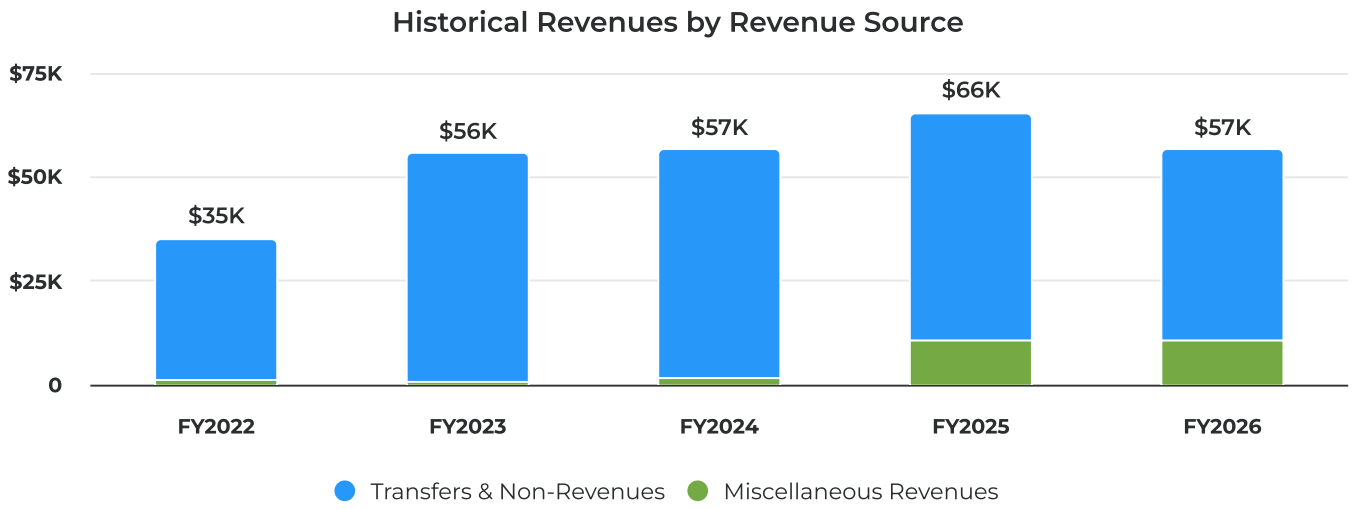
Revenue Summary

Budgeted revenues decreased $9k (14%) below 2025 revenues due to lesser General Fund support needed to cover expenses.

Expenditure Summary

Overall expenses in Arts and Culture decreased $9k (14%) from the 2025 Budget. This is a result of decreased supplies necessary to support the Sunshine Festival and the First Friday exhibit events as well as a reduction in professional services for framing and advertising/outreach.

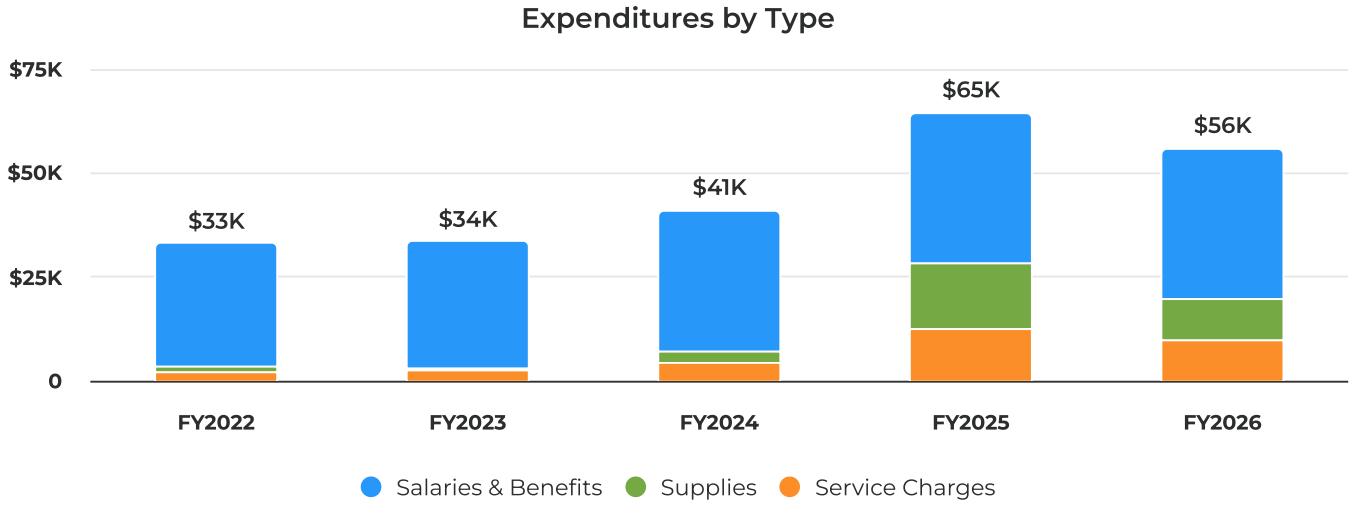
Arts & Culture - Arts Commission Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Miscellaneous Revenues	$1,057	$727	$1,628	$10,500	$10,500	-	0.00%
Transfers & Non-Revenues	$34,000	$55,000	$55,000	$55,000	$46,000	-$9,000	-16.36%
Total Revenues	**$35,057**	**$55,727**	**$56,628**	**$65,500**	**$56,500**	**-$9,000**	**-13.74%**

Arts & Culture - Arts Commission Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$29,716	$30,548	$33,842	$36,348	$36,298	-$50	-0.14%
Supplies	$1,507	$366	$2,835	$16,000	$10,200	-$5,800	-36.25%
Service Charges	$1,839	$2,587	$4,307	$12,200	$9,510	-$2,690	-22.05%
Total Expenditures	**$33,062**	**$33,501**	**$40,984**	**$64,548**	**$56,008**	**-$8,540**	**-13.23%**

American Rescue Plan Act (ARPA)

Description

This fund was created in 2021 and since then has received a total of $2.135ml from the US Department of the Treasury. The funds are the federal government's contribution to the City to support recovery efforts related to the COVID-19 public health emergency, declared in 2020. At the time of this fund's creation, there were many unknowns about the manner in which these funds could be used, other than the broad categories, as follows:

- Responding to the public health emergency/negative economic impact
- Revenue loss
- Premium pay
- Water, sewer and broadband infrastructure

The final rule, adopted in January 2022, offers a “standard allowance” for revenue loss up to $10 million, allowing recipients to select an allowance (up to the amount of the City’s actual award) for governmental services and projects. This is the category under which Council has opted to deploy these funds - simplifying reporting requirements while bolstering governmental services and projects that will position the City to better serve our citizens. Specifically, the City intends to use these funds on the following projects:

- Technology Update: Implement new Enterprise Resource Planning (ERP) technology
- Civic Center Upgrades: Improvements to an outdated and inefficient use of space, primarily on the 2nd floor
- City Shop Improvement Project: Badly needed, capital improvements at the Public Works and Police Shop operations center (streets and sewer equipment/trucks, fleet/mechanic workshop, storage, etc.)

Eligible uses are forward-looking and must be used to cover costs incurred starting March 3, 2021. The City obligated all of these award proceeds by the December 31, 2024, deadline, hence this fund has been closed out.

Key Goals

- Expend federal funds in a manner consistent with the Act's requirements.
- Prepare the annual report to the Treasury on the use of these funds accurately and timely.

Summary

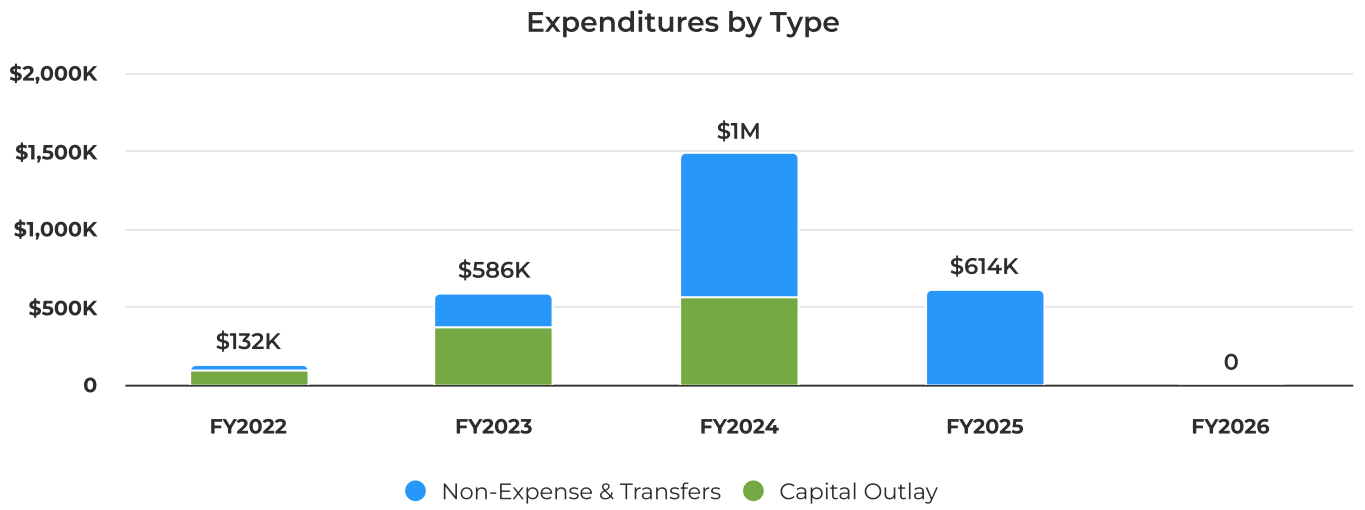
Revenue Summary

All installments of ARPA funds totaling $2.135ml were receipted in and recorded in prior years.

Expenditure Summary

There are no expenditures planned for this fund in 2026.

American Rescue Plan Act Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$39,619	$222,666	$928,676	$614,000	-	-$614,000	-100.00%
Capital Outlay	$92,610	$363,256	$556,706	-	-	-	-
Total Expenditures	**$132,229**	**$585,921**	**$1,485,381**	**$614,000**	**-**	**-$614,000**	**-100.00%**

Rainy Day Fund

Description

The Rainy Day Fund was created by Council in 2018 to provide resources for potential needs related to budget stabilization, emergency response and one-time opportunities. Funds may only be used upon Council approval.

Key Goals

- Use these funds, as needed, for budget stabilization, emergency response and/or one-time opportunities.

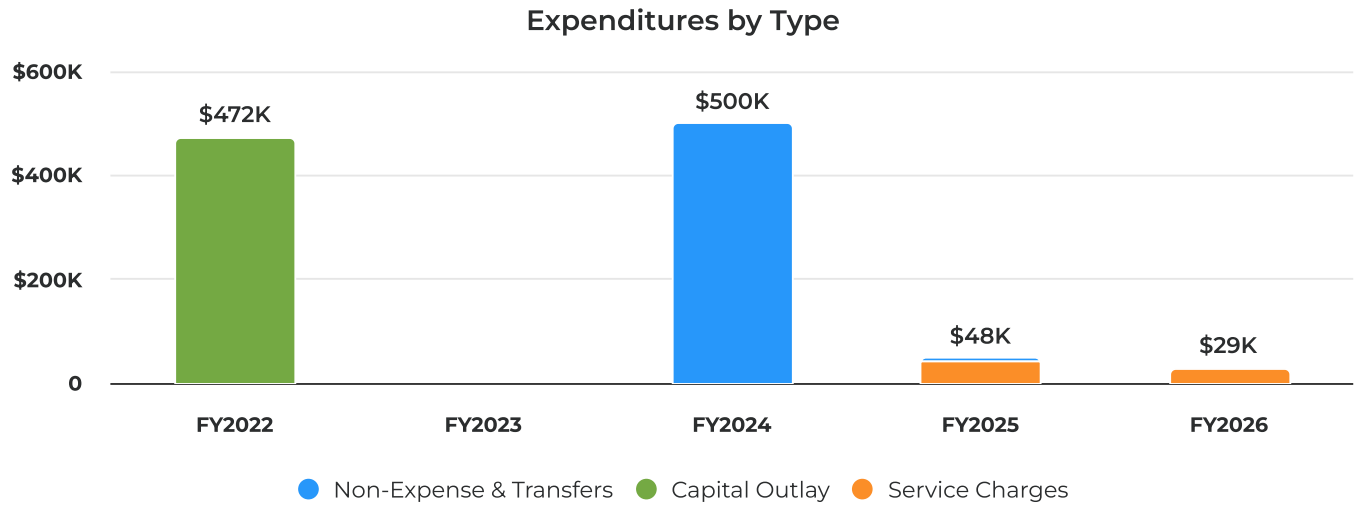
Summary

Expenditure Summary

The 2026 Budget currently includes $29k in health and human services funding for a youth and family navigator employed by the YMCA to address housing and financial issues of members in our community.

Expenditures from this fund must be brought to Council for approval (upon their direction). In 2020 and 2021, funds were used to support the community in responding to the COVID-19 pandemic. In 2022, funds were used in a one-time opportunity to purchase property behind the Civic Center. In 2024, funds were used to support the purchase of land for the Ruth C. McCord Memorial Park.

Rainy Day Fund Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	-	-	$500,000	$5,000	-	-$5,000	-100.00%
Service Charges	-	-	-	$42,500	$28,750	-$13,750	-32.35%
Capital Outlay	$472,316	-	-	-	-	-	-

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Total Expenditures	**$472,316**	**-**	**$500,000**	**$47,500**	**$28,750**	**-$18,750**	**-39.47%**

Debt Service Fund-City Hall

Description

This fund was created for the purpose of recording bond proceeds and the cost of issuance, plus paying principal and interest related to the Civic Center Limited Tax General Obligation (LTGO) bonds.

Summary

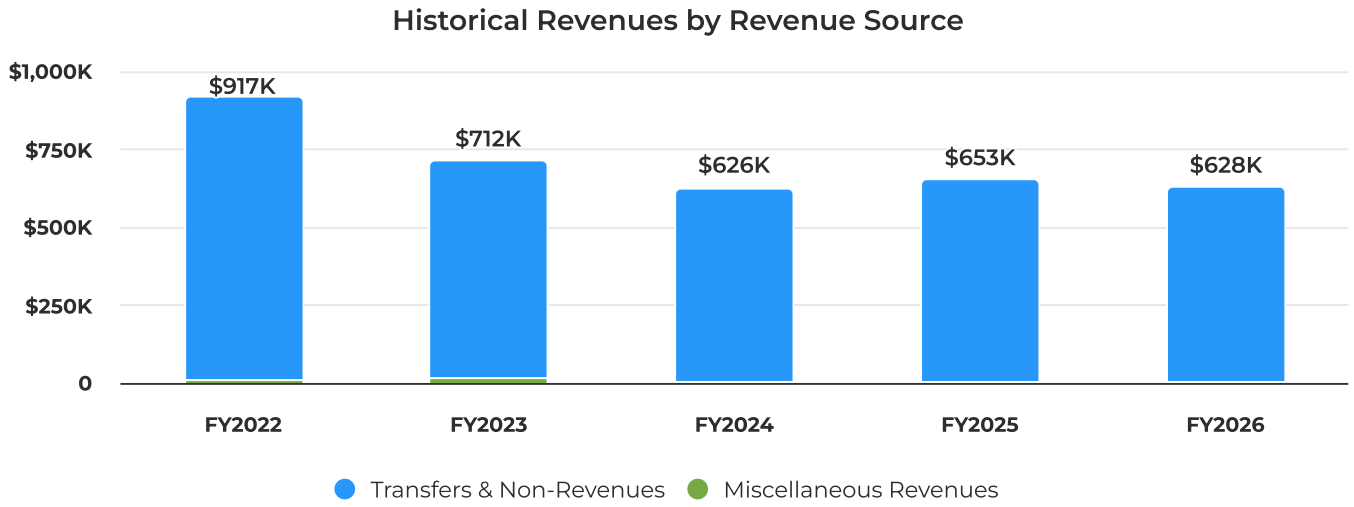
Revenue Summary

Funding for this debt service is slightly below 2025 Budget levels as early calling of bonds in 2023 saves on the annual debt service payment in 2026. Funding is as follows: $200k from General Fund, $325k from Public Safety Tax, and $100k from REET.

Expenditure Summary

Debt Service payments of the bonds supporting the Civic Center are approximately $616k.

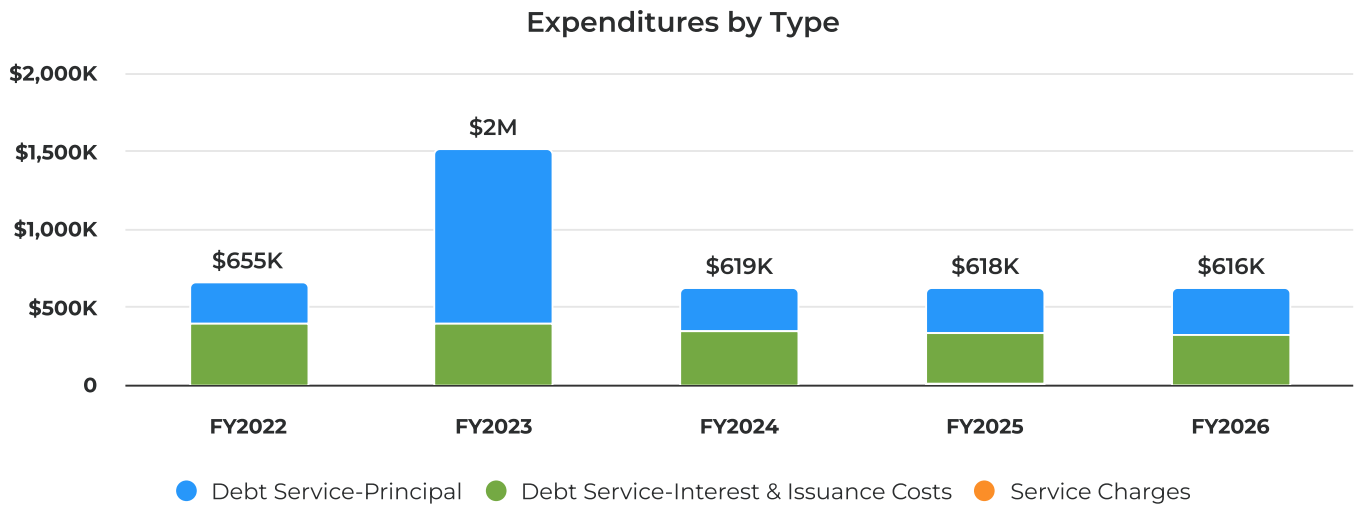
Debt Service Fund-City Hall Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Miscellaneous Revenues	$6,861	$12,390	$1,456	$3,000	$3,000	-	0.00%
Transfers & Non-Revenues	$910,000	$700,000	$625,000	$650,000	$625,000	-$25,000	-3.85%
Total Revenues	**$916,861**	**$712,390**	**$626,456**	**$653,000**	**$628,000**	**-$25,000**	**-3.83%**

Debt Service Fund-City Hall Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Service Charges	-	-	-	$800	-	-$800	-100.00%
Debt Service-Principal	$260,000	$1,120,000	$280,000	$290,000	$300,000	$10,000	3.45%
Debt Service-Interest & Issuance Costs	$395,075	$387,025	$338,550	$327,300	$315,750	-$11,550	-3.53%
Total Expenditures	**$655,075**	**$1,507,025**	**$618,550**	**$618,100**	**$615,750**	**-$2,350**	**-0.38%**

Equipment Reserve

Description

The Equipment Reserve Fund was created to account and save for capital equipment purchases related predominantly to General Fund and Street Operations, the Police Department, Information Technology, Parks, Facilities, PW Administration and Engineering. Regular transfers are made from these funds to support ongoing equipment needs, as scheduled out using our best estimated useful life scenarios.

Key Goals

- Support the City's goal of improving technology for a more efficient workforce.
- Support the Organization Goal of improving employee engagement by providing the tools and resources needed to do their jobs.
- Manage and fund the equipment replacement function of the organization (excluding enterprise funds) - Policy minimum fund balance is 2.5 years of replacement and maximum is 6 years of replacement (minimum ending fund balance for 2026 is $2.102M).

Summary

Revenue Summary

Transfers into this reserve have generally been aggressive over the years in response to equipment needs and to move toward complying with fund balance requirements. Now that we currently meet these requirements, we are in "maintenance mode." The City is continuing its savings efforts, ending 2026 with a fund balance exceeding minimum policy requirements. This calculation is based upon current needs scheduled out through 2031. This "schedule of needs" is updated annually.

Revenue sources for 2026 of $882k are $296k (50%) more than the 2025 Budget and exceed total expenses.

Expenditure Summary

Expenses budgeted for 2026 of $752k are $196k (35%) more than 2025 and include:

PD - One police car - $90k: The City intends to replace 1 car in 2026, consistent with the PD’s vehicle repair and replacement program.

PD - Tasers - $40k: The Police Department needs to update their Conducted Energy Devices (“CED”) (i.e., tasers) as existing equipment has become outdated; repairing and replacing parts and equipment is difficult, expensive, and often impossible, due to the age and use of existing models. Our current vendor, Axon Enterprise, Inc. (“Axon”), no longer offers purchase of individual devices but has transitioned to requiring a lease/ownership agreement. All neighboring agencies have entered into similar agreements with Axon and the Police Department has finally exhausted all other remedies, requiring us to do the same. In anticipation of the changeover, the Police Department requested and received funding for the purchase in the 2025 budget. The contract was approved by Council on July 28, 2025.

PD - Body Armor - $21k: Changes in the Department of Justice (DOJ) Grant for soft body armor (law enforcement (LE) has relied upon the grant for decades to assist in body armor costs) is no longer available for regular replacements. 11 vests expire and require replacement in 2026 (5yr life cycle).

IT - Technology Refresh Program - $50k: This program maintains and replaces aging computers, servers, and networking equipment. Regular refresh cycles reduce downtime, improve staff productivity, and ensure compatibility with modern

software/security standards. Deferring replacements increases risk of failures, higher support costs, and cybersecurity vulnerabilities.

IT - Cybersecurity Project - $300k: This project addresses growing cyber threats facing municipalities. Investments include advanced monitoring tools, endpoint protection, staff training, and security infrastructure upgrades. Protects sensitive resident data, ensures compliance with regulations, and reduces risk of costly breaches or service disruptions. This project is potentially grant funded.

IT - City-wide Facilities Video Security Video Project - $100k: This project expands video coverage across City facilities, public areas, and critical infrastructure. It enhances public safety, supports Police investigations, protects City assets, and improves situational awareness during incidents. City-wide video also assists in liability protection and transparency.

IT - Starlink Project - $42k: This project aims to provide reliable internet connectivity at remote city facilities and for emergency backup. Traditional wired service can be disrupted during storms, outages, or disasters; Starlink ensures continuity of operations, particularly for Police, Public Works, and Emergency Services.

IT - Public Wi-Fi Project - $20k: This project goal is to provide free wireless internet in designated public areas (parks, downtown, city buildings). It improves community access to digital services, supports tourism and business activity, and reduces the digital divide for residents who lack affordable internet at home.

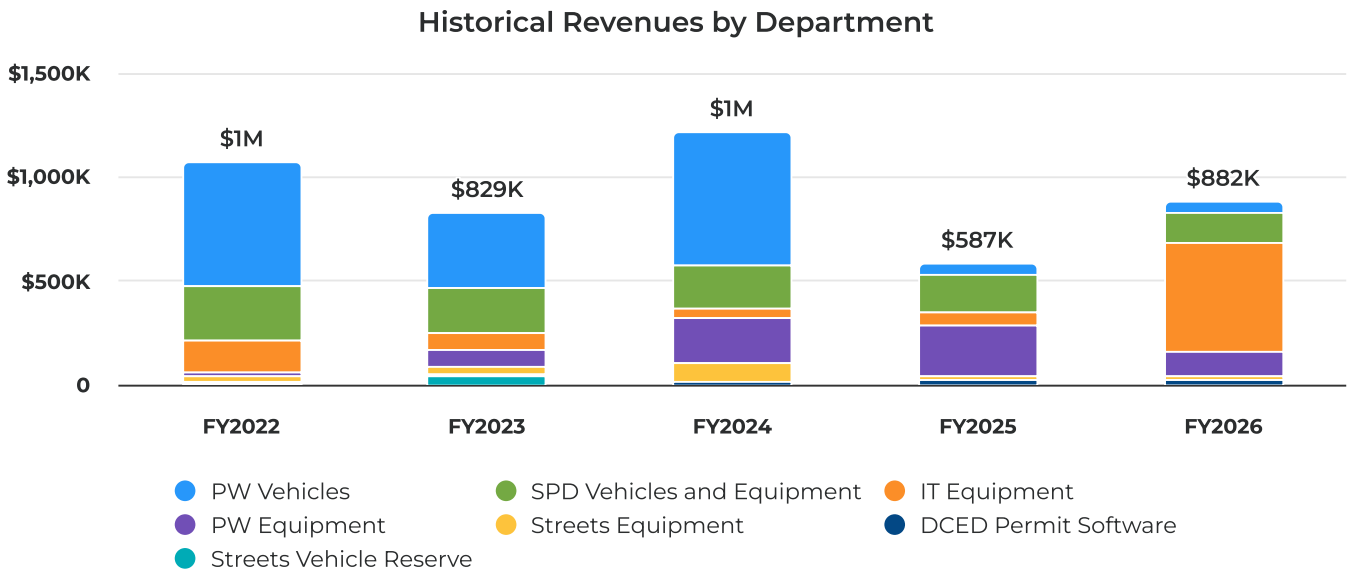
PW – Ranger & Mule Cap Upfit - $8.5k: The Parks division utilizes multiple Utility Terrain Vehicles (UTV) to travel and perform work around park grounds. This purchase will upfit 2 units purchased in 2025 with solid cab doors, windshields, and rear glass for added safety and comfort during winter operation.

PW – Mobile Pressure Washer - $5.5k: This will be a skid-mounted pressure washer that is fully self-contained. Its primary use will be facility cleaning and graffiti cleanup.

PW - Street Replacement Truck - $45k: This truck will be a replacement ¾ ton or 1 ton, four-wheel-drive vehicle, primarily used for winter deicing control, summer plant watering, and other general maintenance needs. It will be replacing a 1999 Chevrolet 2500 4WD pickup that has reached the end of its service life.

DCED - Software Subscription - $30k: DCED collects a software permit fee on all permits to support paying the costs associated with the Tyler EPL Permitting System. This is the approximate amount expected in 2026.

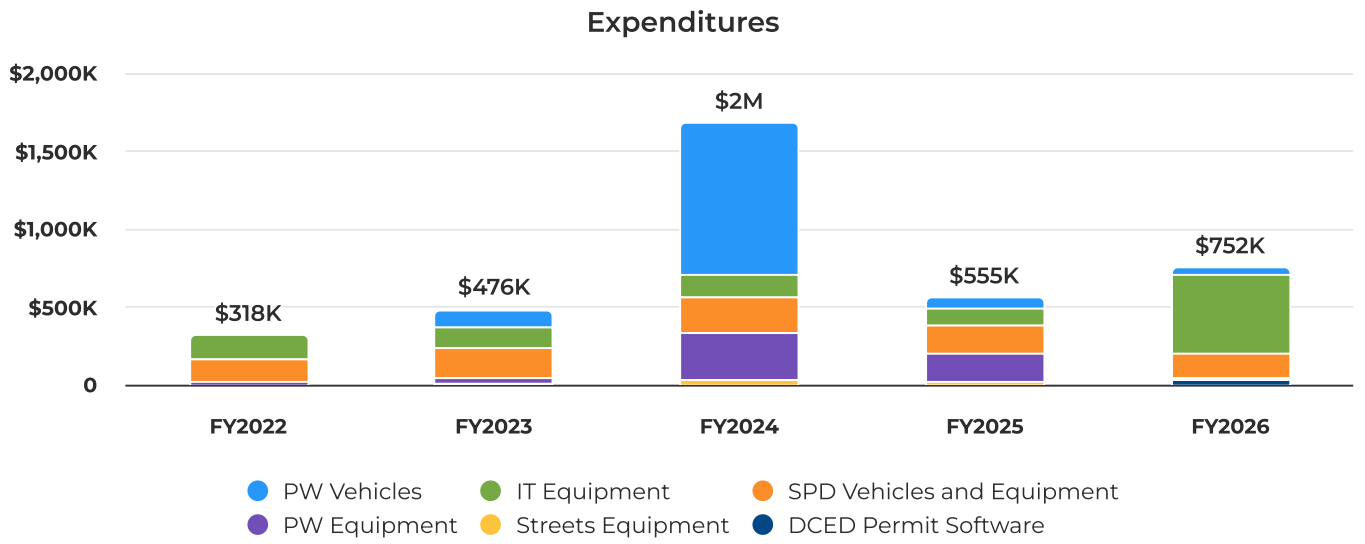
Equipment Reserve Revenues



Revenues

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Streets Equipment	$29,451	$36,334	$90,124	$22,000	$22,000	-	0.00%
IT Equipment	$157,800	$81,400	$46,400	$65,000	$530,000	$465,000	715.38%
PW Equipment	$16,000	$80,000	$212,155	$241,000	$113,000	-$128,000	-53.11%
SPD Vehicles and Equipment	$254,071	$217,752	$203,660	$178,000	$139,000	-$39,000	-21.91%
DCED Permit Software	$8,372	$4,405	$18,011	$20,000	$20,000	-	0.00%
Streets Vehicle Reserve	$5,000	$45,000	-	-	-	-	-
PW Vehicles	$600,800	$364,402	$648,048	$60,800	$58,400	-$2,400	-3.95%
Total Revenues	**$1,071,495**	**$829,293**	**$1,218,397**	**$586,800**	**$882,400**	**$295,600**	**50.37%**

Equipment Reserve Expenditures



Expenditures

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Streets Equipment	-	$2,839	$30,349	$15,000	-	-$15,000	-100.00%
IT Equipment	$159,643	$126,868	$143,297	$114,426	$512,000	$397,574	347.45%
PW Equipment	$13,799	$36,409	$300,830	$183,000	$14,000	-$169,000	-92.35%
SPD Vehicles and Equipment	$144,898	$200,357	$233,256	$178,000	$150,500	-$27,500	-15.45%
DCED Permit Software	-	-	-	-	$30,000	$30,000	-
PW Vehicles	-	$109,443	$967,795	$65,000	$45,000	-$20,000	-30.77%
Total Expenditures	**$318,340**	**$475,917**	**$1,675,527**	**$555,426**	**$751,500**	**$196,074**	**35.30%**

Trust, Agency and Internal Services Funds

Description

- **Unemployment Compensation Reserve** is an internal services fund used to pay unemployment claims and to reserve for future unemployment claims (based upon historical activity).
- **Police Expendable Trust Fund** is used to temporarily hold seized assets until the case is resolved and the Court system declares the rightful property owner. Once declared as a City asset, the money is transferred to special revenue Fund 121, Police Seized Asset Fund, where the funds are spent according to state law.
- **Intergovernmental Agency Fund** is used to receipt various monies received and then remitted to other government agencies.
- **Flexible Spending Account Fund** is used to account for incoming/outgoing employee benefit money that is collected pre-tax and expended on behalf of the employee for medical related expenses based on IRS guidelines.

Key Goals

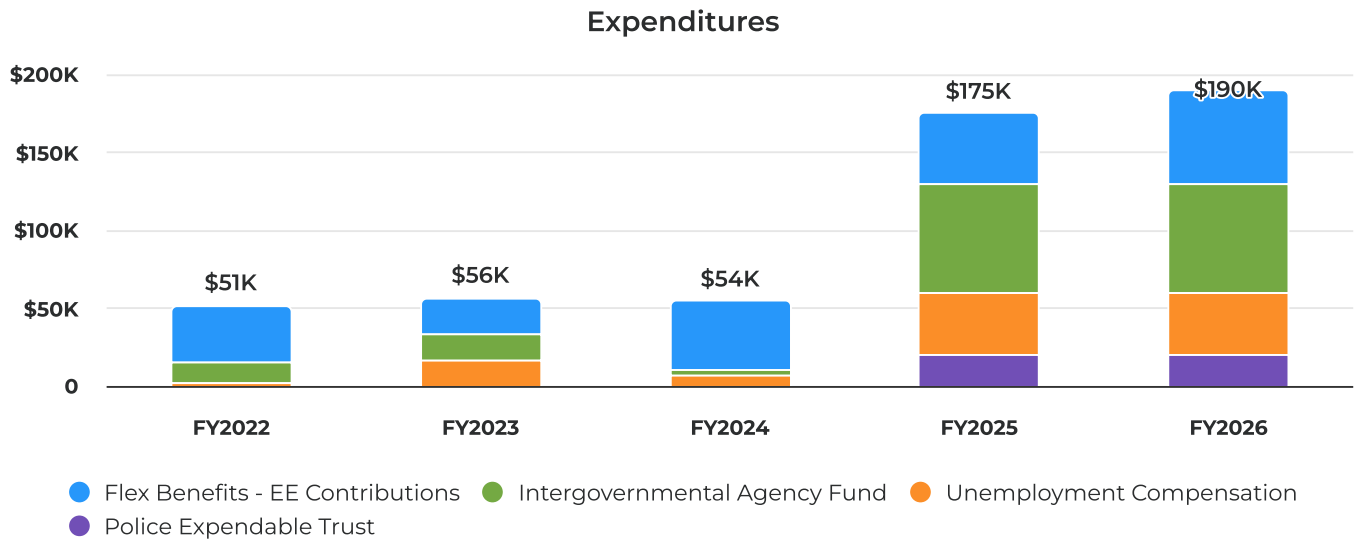
- To appropriately account for trust, agency and internal services funds according to regulations.

Summary

Revenues and expenses for all funds fluctuate based on external factors. **Revenues** are budgeted basically the same from year to year because these funds are budgeted to account for volatility of revenues and costs. Actual revenues can vary significantly from budget. **Expenses** are the same.

- **Unemployment Compensation Reserve:** No revenues are budgeted at this time as this reserve is adequately funded. Expenses consist of $40k for potential claims.
- **Police Expendable Trust Fund:** Revenues and expenses are budgeted at $20k but are dependent on activity.
- **Intergovernmental Agency Fund:** These are funds held in a fiduciary capacity by the City and cannot be used for general operations. A budget amount was selected that will cover the costs of disbursements. The revenue and expenses are based on tax assessments and the sale of bus passes.
- **Flexible Spending Account Fund:** Revenues and expenses are budgeted at $60k and based upon expected benefit activity

Trust and Agency Funds Expenditures



Expenditures

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Unemployment Compensation	$2,019	$16,365	$7,135	$40,000	$40,000	-	0.00%
Flex Benefits - EE Contributions	$36,158	$23,019	$44,405	$45,000	$60,000	$15,000	33.33%
Police Expendable Trust	-	-	-	$20,000	$20,000	-	0.00%
Intergovernmental Agency Fund	$13,076	$16,753	$2,932	$70,000	$70,000	-	0.00%
Total Expenditures	**$51,253**	**$56,137**	**$54,472**	**$175,000**	**$190,000**	**$15,000**	**8.57%**

Community and Economic Development Organization



Growth Planning

- Customer service: general planning information and education
- Comprehensive Plan and Future Land Use Map
- Subarea plans and functional planning
- SMC development codes
- Public participation programs
- Land use and demographic databases
- Regional growth coordination and issues
- Annexation program
- Economic development

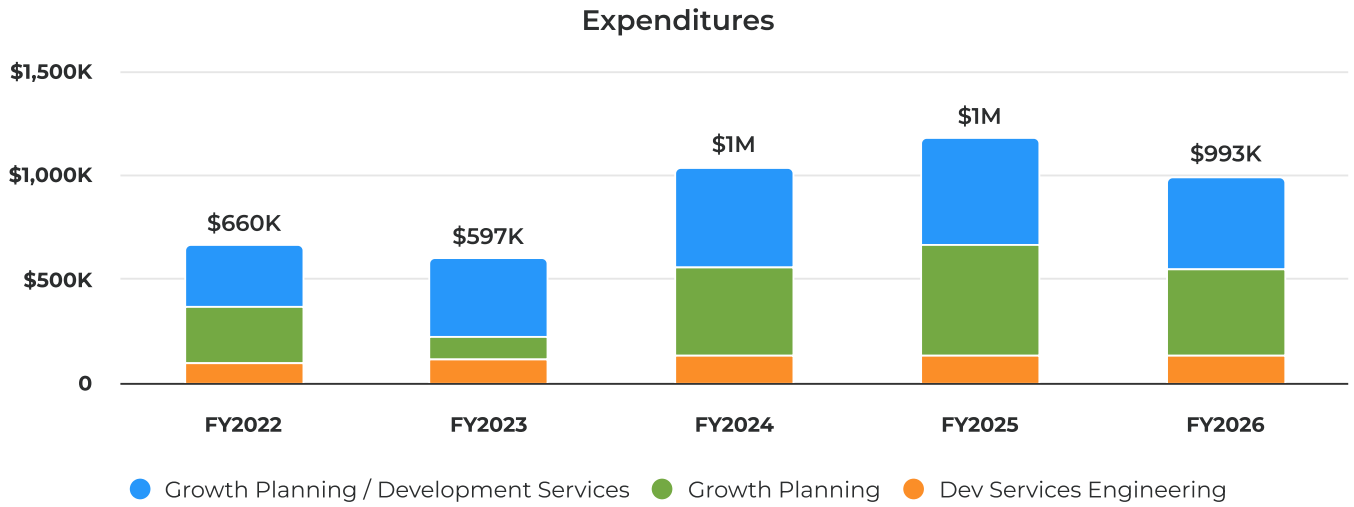
Development Services

- Customer service: permit intake and general information
- Permit administration for land use and building activity
- Building plan review / inspections
- Permit tracking
- Address files
- Site plan review
- SMC, IBC, design standards, and other development codes
- SEPA review
- Subdivision review

Land Use and Building Compliance

- Code Compliance:
  - Sign Code
  - Zoning violations
- Compliance records
- SMC updates to strengthen compliance
- Residential building inspections / violations
- Land use violations

Community & Economic Development Expenditures by Department



Expenditures

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Growth Planning / Development Services	$294,560	$377,718	$487,229	$513,723	$448,209	-$65,514	-12.75%
Dev Services Engineering	$99,075	$110,654	$126,944	$133,695	$134,520	$825	0.62%
Growth Planning	$266,645	$108,293	$424,264	$530,771	$410,592	-$120,179	-22.64%
Total Expenditures	**$660,281**	**$596,665**	**$1,038,436**	**$1,178,189**	**$993,321**	**-$184,868**	**-15.69%**

Growth Planning / Development Services

Description

The Department of Community and Economic Development (DCED) is responsible for the community's growth and development as mandated by the Washington State Growth Management Act (GMA). This duty includes administration of the City's land use policies and regulations guided by the Comprehensive Plan, zoning and land division codes, environmental plans and ordinances, and building and fire codes.

The Department implemented new Tyler Technologies software in the 4th quarter of 2024 to assist in managing Staff's permitting responsibilities and to enable applicants to submit applications and associated documents at their convenience. Staff continue to work internally and with its customers to make the software more user-friendly.

The Department's work consists of 3 primary areas: building and permitting, current land use planning, and long-range planning. Building and permitting covers building, mechanical, and plumbing permits and associated inspections; a total of 244 permits were issued in 2024. Current planning – along with Public Works - reviews projects for consistency with the zoning, landscaping, parking, and other elements identified in the Sequim Municipal Code; a total of 7 land use permits were approved in 2024. Long-range planning consists of projects such as the Comprehensive Plan, Shoreline Master Programs, and municipal code amendments. The City's Comprehensive Plan process is underway, and Staff anticipate City Council adoption by June 2026.

The Department continues to evaluate its lines of business and levels of service. Staff continue to review current practices, processes, code sections, and guiding documents. The Comprehensive Plan process also provides a great opportunity for Staff to work with stakeholders to update, streamline, and clarify the City's development regulations.

Mission

The mission of Growth Planning/Development Services is to facilitate quality development through good design.

Key Goals

DCED is evaluating our lines of business and level of service. As our department becomes more sophisticated and data focused, we are reviewing current practices, processes, code sections, and guiding documents. The Team has an internal five-year strategic plan with work items and priorities based on actions to move the department forward in growth planning, current planning / development review, building permits, code compliance, building inspections and economic development.

Goals include:

- Meet community needs through the Comprehensive Plan Periodic Review and Development Regulations update.
- Update processes and improve permitting software through the implementation and training of users in the Tyler Technologies Permitting Software.
- Continued focus on internal and external process improvement and customer service that will help customers better understand the services and processes provided by the Department.
- Continue to make amendments to the Municipal Code to promote clarity and consistency for internal and external users.

Summary

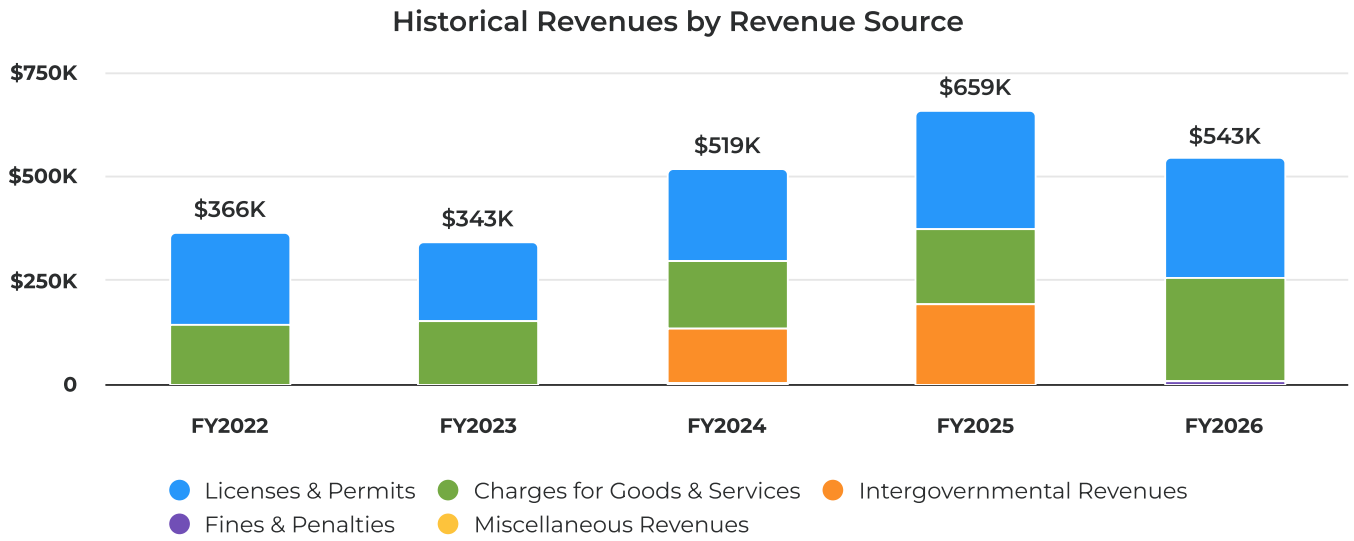
Revenue Summary

Most revenue sources are expected to increase slightly given 2025 performance, but they are difficult to predict. Grant revenues collected to partially fund the Comprehensive Plan update process in 2025 have been exhausted.

Expenditure Summary

This budget decreased by $185k (16%) from the 2025 Budget due to the removal of a significant amount of professional services related to the update of the Comprehensive Plan. This budget includes Hearings Examiner services, and outside professional services to assist in shepherding the Comprehensive Plan and related code updates - a project expected to conclude in 2026.

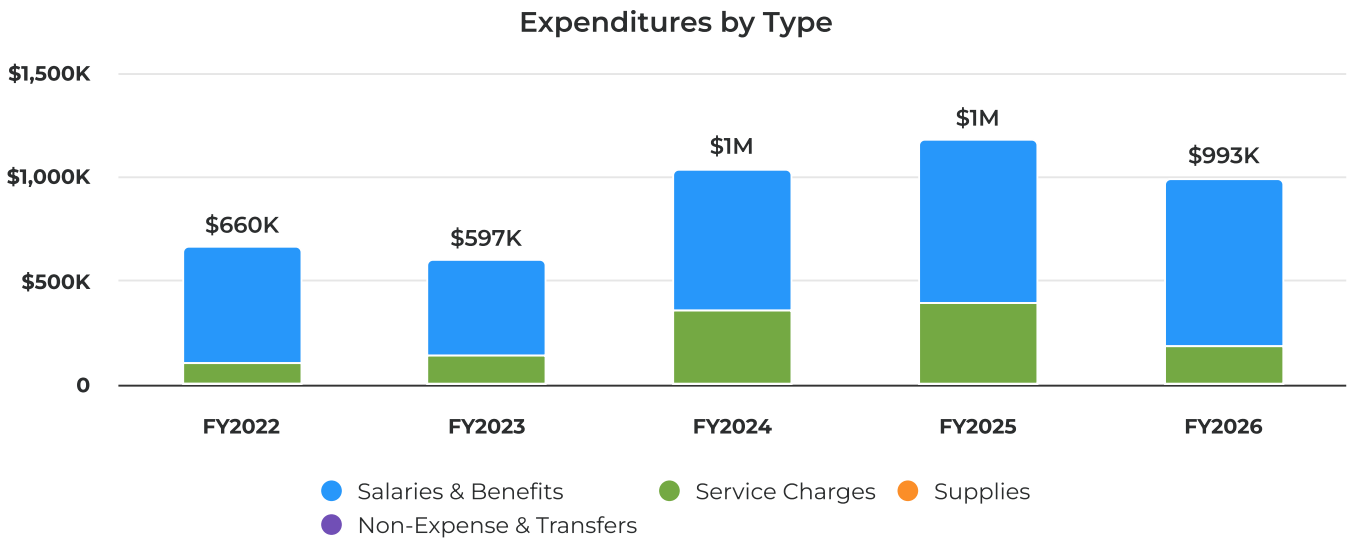
Growth Planning / Development Services Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$221,541	$191,904	$223,431	$285,000	$288,000	$3,000	1.05%
Intergovernmental Revenues	-	-	$134,800	$191,300	-	-$191,300	-100.00%
Charges for Goods & Services	$143,962	$151,196	$160,917	$182,750	$250,000	$67,250	36.80%
Fines & Penalties	-	-	-	-	$5,000	-	-
Miscellaneous Revenues	-	-	-	-	-	-	-
Total Revenues	**$365,502**	**$343,101**	**$519,149**	**$659,050**	**$543,000**	**-$116,050**	**-17.61%**

Growth Planning / Development Services Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$3,000	-	-	-	-	-	-
Salaries & Benefits	$556,636	$460,422	$681,023	$786,239	$811,546	$25,307	3.22%
Supplies	$1,567	$2,946	$3,770	$1,450	$3,300	$1,850	127.59%
Service Charges	$99,079	$133,298	$353,643	$390,500	$178,475	-$212,025	-54.30%
Total Expenditures	**$660,281**	**$596,665**	**$1,038,436**	**$1,178,189**	**$993,321**	**-$184,868**	**-15.69%**

Police Organization



Emergency Management

- Emergency management services

Operations

- Patrol/911 Response
- Investigations
- Training
- K-9 Unit
- WSP Target Zero partner
- Crime Prevention
- Crisis Response Team
- Kitsap County Incident Response Team (KCIRT) Independent Investigation Team (IIT)

Investigations

- Crime Investigation
- Regional Drug Team
- Sex Offender Checks

Administration and Police Support Services

- Budget
- Customer Service
- Licensing, Permits and Fingerprints
- Personnel Administration
- Professional Accountability
- Records
- Communications
- Property and Evidence
- Crime Data Reports

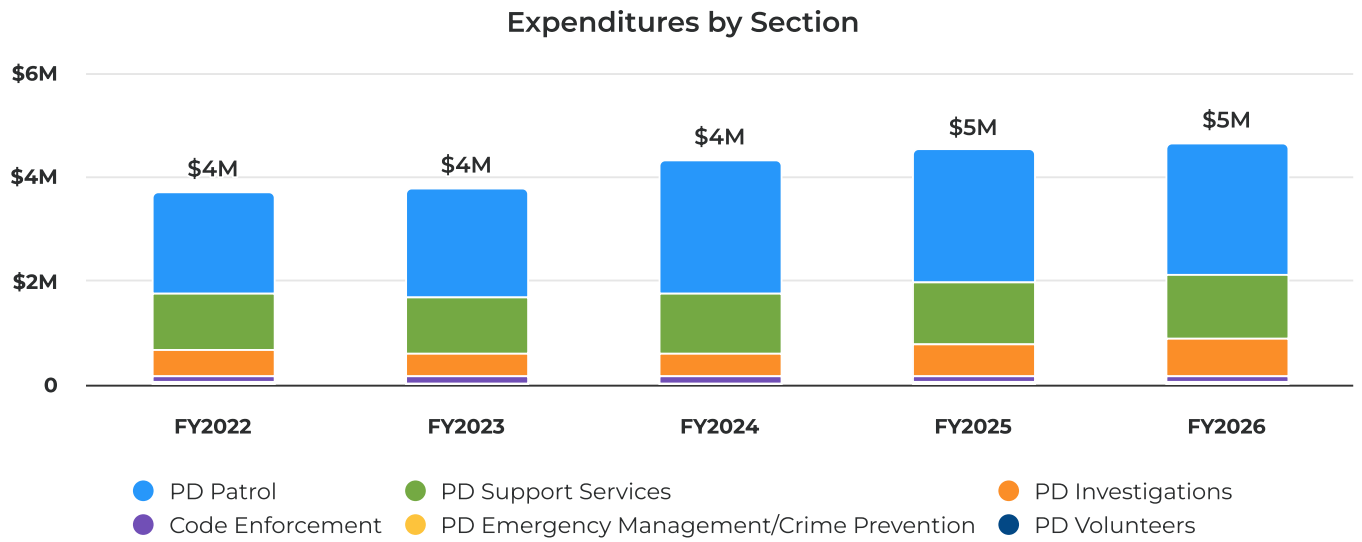
Volunteers/VIPS

- Project Lifesaver
- Block Watch
- Business Watch
- Front Office Support
- Vacation House Check
- Child Car Seat Safety
- Pawnshop Detail
- Chaplain

Code Enforcement

- Animal Control
- Code Enforcement

Public Safety Operations Expenditures by Department



Expenditures by Section

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Code Enforcement	$106,471	$113,974	$114,566	$124,459	$131,540	$7,081	5.69%
PD Support Services	$1,094,934	$1,078,676	$1,175,054	$1,196,231	$1,247,653	$51,422	4.30%
PD Volunteers	$167	$578	$1,286	$1,701	$1,701	-	0.00%
PD Patrol	$1,947,817	$2,108,282	$2,563,230	$2,548,065	$2,529,152	-$18,913	-0.74%
PD Investigations	$509,003	$441,567	$431,976	$619,085	$692,682	$73,597	11.89%
PD Emergency Management/Crime Prevention	$59,203	$35,350	$34,287	$40,733	$46,792	$6,059	14.87%
Total Expenditures	**$3,717,595**	**$3,778,427**	**$4,320,400**	**$4,530,274**	**$4,649,520**	**$119,246**	**2.63%**

Police Department

Description

The Sequim Police Department is charged with a variety of duties relating to the protection and safety of the community. This mandate is carried out through the enforcement of criminal and traffic laws; the investigation of criminal activities and the arrest of offenders; and by ordinance, emergency management and preparation. The Department coordinates investigations and law enforcement operations with other jurisdictions and agencies.

Additionally, the Support Services front counter offers weapons permitting and transfers, fingerprinting, records retrieval, incident reports, vacation check requests, evidence and property management, and public records requests.

Our Code Enforcement Officer will continue to investigate Animal Control, Parking, and Nuisances issues. 2026 responsibilities will include working as a liaison with social services and evaluating future responsibilities previously shared with the Department of Community and Economic Development (DCED).

The 2026 budget reflects Department staffing of twenty-two sworn Officers (22 FTE) and one Code Enforcement Officer. In 2026, there is one predicted personnel opening, continued training as required by state law and Washington Association of Sheriffs and Police Chiefs (WASPC) accreditation, additional state mandated training including Law Enforcement Training and Community Safety Act (LETCSA) , and projected increases in police incidents. Police Department functions are greatly supported by three Records Specialists in our Support Services division supervised by the Support Services Supervisor for a total of four civilian support FTE. Currently there are approximately 14 Volunteers in Police Service (VIPS) who assist the Department's efforts and provide enhanced public safety programs including Project Lifesaver, WA State Certified Car Seat Technicians, vacation house checks, event support (Irrigation Festival, Lavender Festival, etc.), and parking enforcement.

Emergency management efforts within the City include a .4 FTE Emergency Management Coordinator that is continued through the 2026 department budget. Additional required training in emergency management functions and purchase of new equipment for maintenance of Emergency Management functions are anticipated throughout 2026 to enhance emergency management efforts throughout the City.

Mission

The mission of the Police Department is to partner with our community in preserving the peace and reducing the incidence of crime for everyone who lives, works and visits our City.

Key Goals

1. Enhanced Customer-Centric Experience:

The department received praise and recognition in both the community and business surveys related to the exceptional level of service provided, and increased police services were a high priority for both. Continue support of the increasing number and size of community events as necessary for the safety of attendees. Continue engagement with regional partners and service providers in the areas of homelessness, mental illness, medical services, and substance use disorder to increase efficient and excellent exchanges. Continue our commitment to our regional drug enforcement task force (OPNET), School Resource partnership with the Sequim School District, Kitsap Crisis Incident Response Team (KCIRT), Major Incident Response Team (MIRT), and joint Crisis Response Team (CRT) ensuring quality service to our residents. Continue developing community resources with Peninsula College to support local workforce opportunities.

2. Continued Process Improvement:

Continue implementation of training and protocols to ensure adherence to de-escalation, emergency response (Active Shooter), use of force, crisis intervention, the LETCSA mandate, required legislation, and best industry standards, thereby ensuring efficiency and the utilization of data-driven decision making.

Advancements in technology provide emerging opportunities for process improvement in areas such as IA/use of force documentation and tracking, audio/video interview recordings, and digital evidence management; however, current fiscal constraints cannot support the increase in costs required to purchase some programs/software.

3. Digital Transformation:

Continue working towards full operational implementation (including CAD integration) of our Body Worn Camera and In-Car Video systems, refine and expand the unmanned aerial vehicle (UAV) program (including purchase of software and equipment and training personnel), continue towards a paperless records division and supporting the city's strategic commitment to innovative advancement. Continue to evaluate implementation of citywide software and technology into department processes. Implement use of the Washington Data Exchange for Public Safety (WADEPS) mandated online reporting of use of force incidents.

4. Community and Economic Development:

Utilize community, business, and staff surveys to develop an intentional and data driven Police Department Strategic Plan. Utilize intelligence lead policing to further identify and address community needs, crime and social disorder, communicating a commitment to our mission to preserve the peace and reduce the incidents of crime for everyone who lives, works, and visits in our city. Focus on succession planning within the Department to address staff turnover due to long-time employees retiring. Hiring, training, and replacement of job expertise (such as ancillary duties and specialty skills) is needed to meet statutory requirements, absorb several retirements experienced in the recent past, and to proactively address expected future retirements.

5. Fiscal Ownership:

Continue monitoring departmental spending to ensure proper stewardship of allotted funds through regularly scheduled budget reviews.

The department did not request additional services or equipment above those in 2025; the requested budget increases were the result of rising costs of existing services and equipment from vendors outside the control of the department. Previously relied upon grants have been diminished/exhausted.

Summary

Revenue Summary

2026 budgeted revenues of $546k increased $8k (2%) from the prior year due to trends in criminal justice, liquor and marijuana tax receipts - driven by increases in population and consumer purchasing habits.

Expenditure Summary

This budget of $4.650M increased by $119k (3%) from the 2025 Budget. Salary and benefit expenses reflect a normal COLA increase for non-represented staff plus the cost of health insurance and retirement benefits. Increases in uniformed staffing costs reflect the bargaining unit contract that is effective until December 1, 2026. State mandated costs continue to increase, including Labor and Industries Industrial Insurance and LEOFF (Law Enforcement Officers and Fire Fighters Retirement System) contributions.

2026 budget assumptions are: Supply and equipment replacement expenses generally reflect normal operations; however, the overall allotment will be impacted by two substantial adjustments: 1) changes in the DOJ Grant for soft body armor (LE has relied upon the grant for decades to assist in body armor costs); as it is no longer available for regular replacements, and 11 vests expire and require replacement in 2026 (5yr life cycle), equipment costs will increase accordingly. 2) as discussed and approved by Council on July 28, legislative mandates require use of proper less lethal alternatives (RCW 10.120.030); SPD existing AXON tasers are obsolete and irreparable. Upgrading with AXON tasers, is necessary to comply with Washington law and were included in the transfer equipment fund.

Training, travel, and registration continue to increase as needed to address needs brought on by Police Reform laws passed in 2021/22, additional LETCSA mandated training beginning in 2025, and required specialty training following predictable retirements and promotions. Local in-service training and remote/on-line offerings will continue to be leveraged where possible within our 2026 training plan. Due to the City's enhanced emergency operations, and the need to effectively respond to emergencies, City staff assigned to emergency management will continue with required training and the department budgeted to purchase/upgrade equipment.

Due to expected retiring of DC Southard, a hiring assessment to replace the position was added to the 2026 budget. Hiring expenses decreased slightly, as the number of anticipated empty positions diminished, but remain to adhere to statutory requirements (polygraph, psychological, medical, equipment, etc.). The budget includes academy expenses as WSCJTC reinstated BLEA/BLEEA charges for new hires. Retention and recruitment of employees is paramount to the department's success, and the budget facilitates proactive hiring activities. It is possible a second assessment will be needed for a Sergeant position; however, it is not currently supported through budget allocations.

Continuing from the 2025 budget, increases in PENCOM dispatch services are expected; PENCOM is approaching full staffing, thereby increasing the portion of dispatcher costs allocated to each department.

Investigative technology expenses are also reflected in this budget. Digital subscription and storage services are included in the 2026 including combining the Cellebrite subscription and adding cell phone warrant (ping) charges as phone providers now charge for this service. Investigative needs of this service have been incurred, increasingly, over the last three years.

Vehicle maintenance and repair continue to exceed the budgeted amount; this is, in part, balanced through insurance claims not credited to the corresponding line item as the expense (rather they are added to the general fund). Additional expenses for vehicles in 2026 include radar calibration (required triennially). Transfers out to the Equipment Reserve reflect the intention to purchase a police car as part of our Police fleet plan; a second police vehicle was removed due to budget constraints but may be requested based upon vehicle performance throughout 2026.

As addressed in 2025, the Clallam County radio maintenance contract (LEDRN) more than tripled in cost and continues to have increasing use and maintenance costs budgeted for 2026.

Recent crime trends have shown an increased need for investigations of crimes which occurred in Sequim but require travel for case investigation and resolution, to include suspect apprehension in years 2023 – 2025. However, funds requested for Prisoner transport in 2026 were removed due to budget constraints.

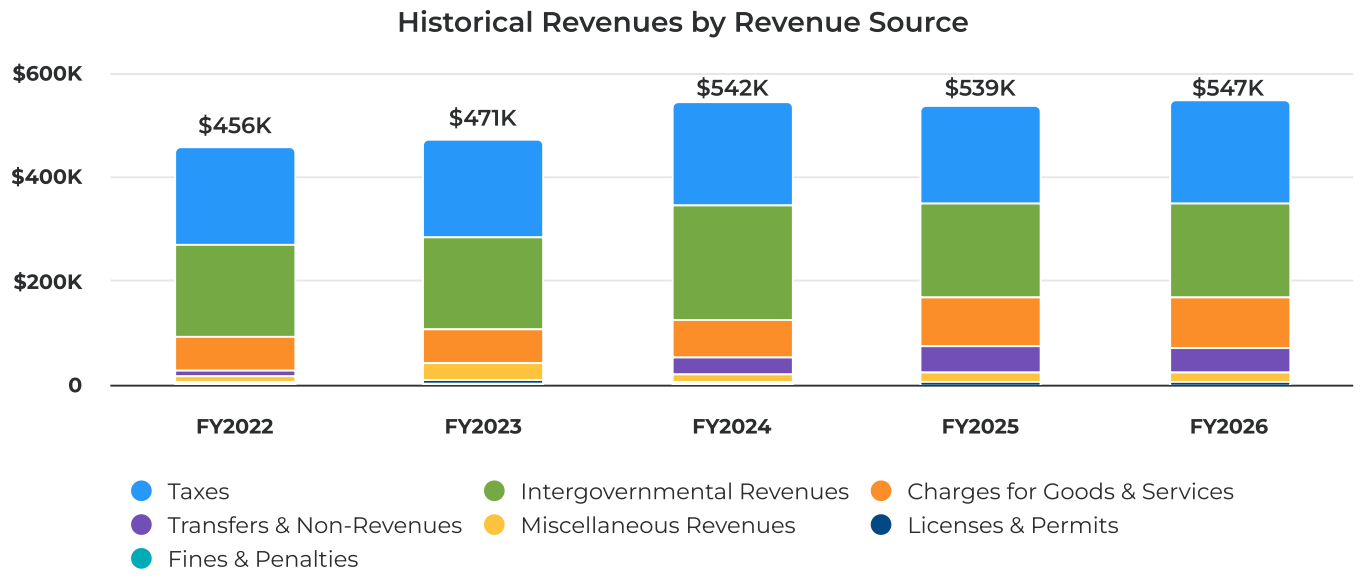
The Police Department will continue its participation in the Olympic Peninsula Narcotics Enforcement Task Force (OPNET), Kitsap Crisis Incident Response Team (KCIRT), Major Incident Response Team (MIRT), and joint Crisis Response Team (CRT); the budget reflects those operations.

The Sequim School District continues to share salary and benefit expenses as part of the School Resource Officer (SRO) agreement.

As the facility and office equipment age, replacement is required or has been suggested by Labor & Industries (LNI.) This expense has become a departmental responsibility and those items will need to be purchased on an as-needed basis.

Olympic Peninsula Humane Society/animal control expenses have been unpredictable throughout 2025, and availability of animal control services are unknown for 2026. The department is awaiting the new service contract with an unknown provider as options are limited on the Olympic Peninsula.

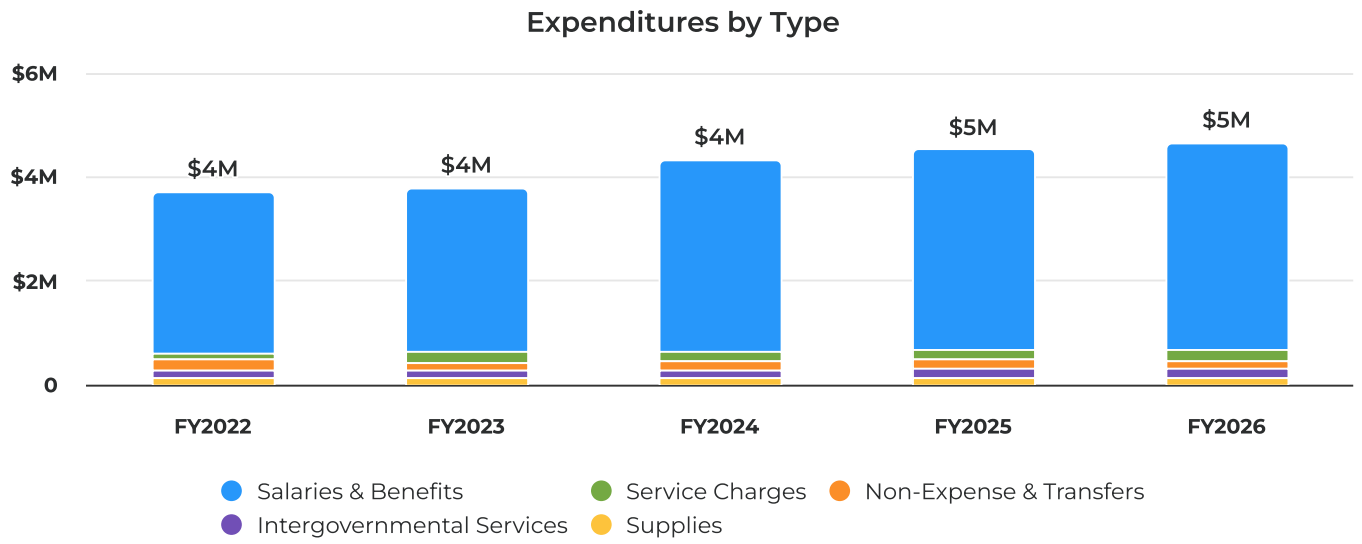
Police Department Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Taxes	$185,093	$189,296	$195,553	$189,518	$198,996	$9,478	5.00%
Licenses & Permits	$6,592	$6,298	$6,326	$6,745	$6,745	-	0.00%
Intergovernmental Revenues	$180,453	$176,545	$220,865	$179,288	$180,668	$1,380	0.77%
Charges for Goods & Services	$64,264	$63,700	$73,108	$97,000	$97,184	$184	0.19%
Fines & Penalties	$100	$1,179	$500	-	-	-	-
Miscellaneous Revenues	$9,241	$34,177	$11,700	$16,000	$16,000	-	0.00%
Transfers & Non-Revenues	$10,234	$116	$34,291	$50,000	$47,000	-$3,000	-6.00%
Total Revenues	**$455,978**	**$471,311**	**$542,344**	**$538,551**	**$546,593**	**$8,042**	**1.49%**

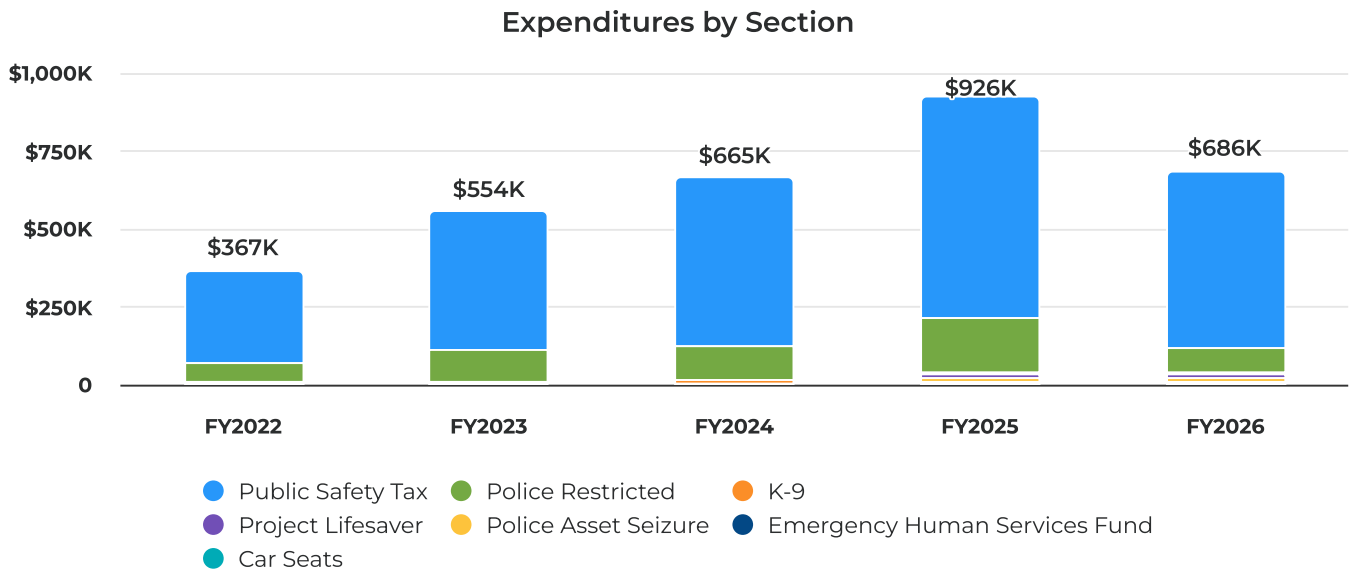
Police Department Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$225,000	$160,000	$178,000	$178,000	$139,000	-$39,000	-21.91%
Salaries & Benefits	$3,109,893	$3,162,535	$3,674,542	$3,860,144	$3,990,805	$130,661	3.38%
Supplies	$131,653	$117,383	$128,413	$124,201	$114,302	-$9,899	-7.97%
Service Charges	$126,709	$190,989	$188,380	$188,954	$210,353	$21,399	11.32%
Intergovernmental Services	$124,340	$147,520	$151,064	$178,975	$195,060	$16,085	8.99%
Total Expenditures	**$3,717,595**	**$3,778,427**	**$4,320,400**	**$4,530,274**	**$4,649,520**	**$119,246**	**2.63%**

Public Safety Restricted Expenditures



Expenditures by Section

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Police Restricted	$56,544	$102,718	$109,344	$177,201	$79,805	-$97,396	-54.96%
Car Seats	-	-	-	$1,200	$1,200	-	0.00%
K-9	$4,299	$2,423	$11,961	$7,400	$7,400	-	0.00%
Project Lifesaver	$5,879	$6,384	$634	$10,000	$10,000	-	0.00%
Public Safety Tax	$300,000	$440,000	$541,579	$710,000	$567,000	-$143,000	-20.14%
Emergency Human Services Fund	$152	$2,847	$1,077	$5,400	$5,400	-	0.00%
Police Asset Seizure	-	-	-	$15,000	$15,000	-	0.00%
Total Expenditures	**$366,874**	**$554,373**	**$664,596**	**$926,201**	**$685,805**	**-$240,396**	**-25.96%**

Police Restricted

Description

The Police Restricted Fund is for grant funded or donation funded special activities that are in addition to ongoing police operations. Projects and activities include the k-9 program, Project LifeSaver, Public Safety Tax collection and transfers, Emergency Human Services funding and the Chaplaincy fund. In 2022, we added the Jamestown Medically Assisted Treatment Clinic monitoring and evaluation program which provides a Navigator program funded by the Jamestown S'Klallam Tribe. The city's management of this program was discontinued in 2025.

The Police Asset Seizure Fund was created to deposit the net portion of forfeited proceeds after payment to the Washington State Treasurer and settlement of all claims as required by state and federal laws. These funds are to be used to assist the Sequim Police Department in funding drug enforcement as determined by the Chief of Police in accordance with RCW 69.50.505.

The net proceeds are provided by the following per Sequim Municipal Code 3.42: RCW 69.50.505 – seizure and forfeiture of property connected with the manufacture, compounding, processing, delivery, importing, or exporting of illegal narcotics and drugs (controlled substances) by law enforcement agencies, including the Sequim Police Department; RCW 46.61.5058 – seizure and forfeiture of a vehicle connected with driving a motor vehicle while meeting or exceeding the Washington state recognized level of intoxication (DUI) and having had a prior conviction within seven years as defined by RCW 46.61.5055; Chapter 9A.83 RCW – seizure and forfeiture of proceeds and property connected with money laundering; Moneys derived as a result of the Federal Comprehensive Crime Control Act. Withdrawals from the fund require written authorization of the Chief of Police and the City Manager (Sequim Municipal Code 3.42.030).

Key Goals

- Utilize donated funds for their dedicated purposes.
- Apply asset seizure funds towards needed officer safety and investigative equipment purchases.
- Transfer available Public Safety Tax to Debt Service Fund for Civic Center bond payments.
- Jamestown Healing Clinic monitoring and evaluation program related activities.

Summary

Revenue Summary

Police Restricted Fund: The Police Restricted budget reflects grant money and donations that are linked to specific purposes and programs as previously noted. Additionally, the voter-approved Public Safety Sales Tax revenue is recorded in this fund which continues to be used to pay Civic Center/Police Station debt. Finally, a new program revenue was added to this fund in 2022 to pay for a professional social services navigator, contracted by the City, to carry out part of the Jamestown Healing Clinic monitoring and evaluation program. As noted above, the city's involvement in managing this program discontinued in 2025.

Police Asset Seizure Fund: Revenues are anticipated based on averages. The uses of the Asset Seizure Fund are set out in both state law and under current City ordinance. The actual amount of revenue can vary significantly from year to year, based on the unpredictable nature of narcotics investigations, proactive resources available for enforcement, backlogs of seizure hearings, and other variables including, even, the type of drug of choice that is being peddled and purchased.

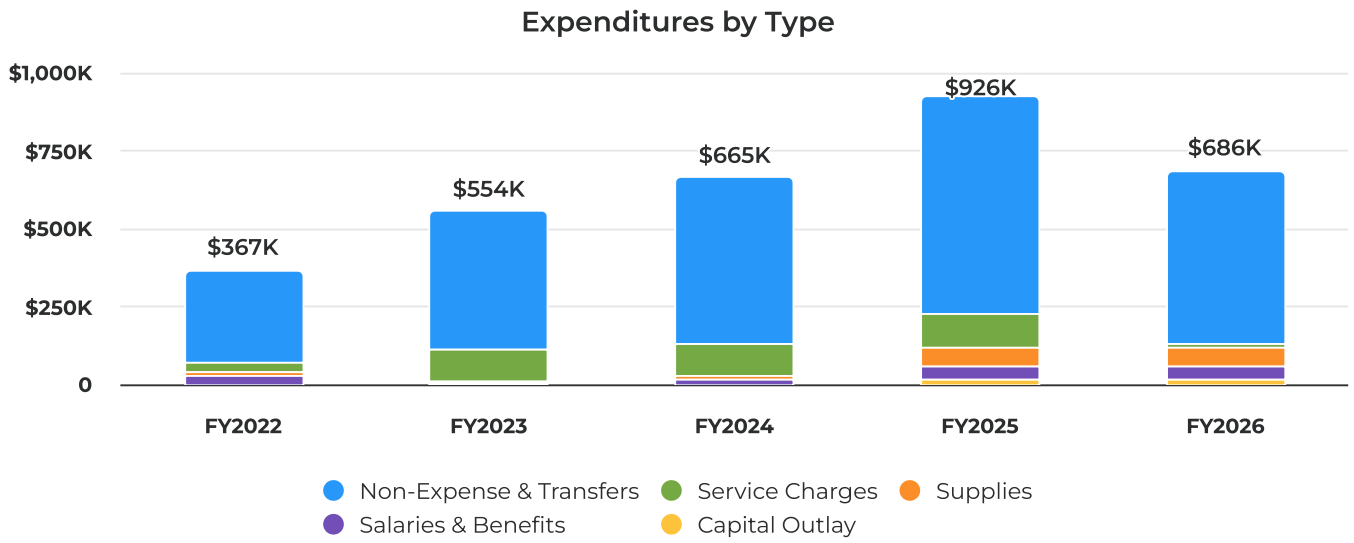
Expenditure Summary

Police Restricted Fund: A transfer out to the Civic Center debt of $325k is $25k less than 2025 and a transfer out to the City Shop Improvements project of $185k decreased by $115k. This budget also includes a slightly reduced transfers to the General Fund's Emergency Management Department. Other items that decreased include the elimination of $100k in

professional social services related to the expired navigator program for the MAT clinic monitoring (paid for by the Jamestown Tribe).

Police Asset Seizure Fund: The asset seizure fund is a restricted fund by RCW with limited law enforcement purposes connected to drug enforcement. Any expenses must fit within the guidance provided by RCW and our City code, 3.42.030.

Police Restricted Expenditures



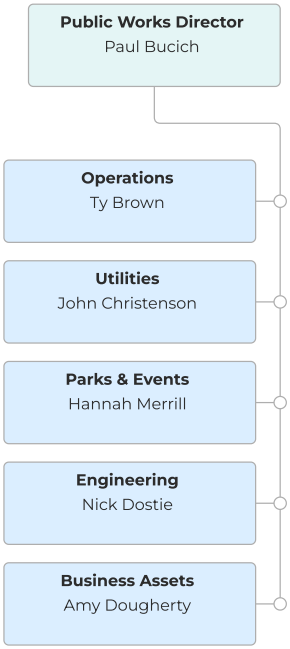
Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$300,000	$440,000	$534,291	$700,000	$557,000	-$143,000	-20.43%
Salaries & Benefits	$28,148	$3,933	$16,150	$42,620	$45,224	$2,604	6.11%
Supplies	$12,577	$6,579	$7,965	$58,681	$58,681	-	0.00%
Service Charges	$26,150	$103,861	$106,189	$109,900	$9,900	-$100,000	-90.99%
Capital Outlay	-	-	-	$15,000	$15,000	-	0.00%
Total Expenditures	**$366,874**	**$554,373**	**$664,596**	**$926,201**	**$685,805**	**-$240,396**	**-25.96%**

Public Works Mission

- Provide a reliable, safe potable water system to support our community
- Provide a reliable, safe wastewater system to support our community
- Provide a safe, reliable, and accessible transportation network to support our community
- Provide safe, clean, accessible parks and facilities for the community and visitors to enjoy
- Maintain utility rates to support current and future needs
- Ensure efficient and accountable use of public funds

Public Works Organization



Operations

- Streets and Stormwater Maintenance and Repair
- Sewer Collections Operations and Maintenance
- Right of Way Landscaping
- Safety
- Lighting
- Traffic Signals
- Traffic Signs
- Sidewalks
- Snow and Ice Control
- Striping and Traffic Controls
- Radio Communication
- Emergency Management Support

Utilities

- Water Supply and Distribution
- Water Rights Management
- Water Operations and Maintenance
- Sewer Operations and Maintenance
- Water Reclamation Facility (WRF)
- Reclaimed Water and Biosolids Distribution
- Industrial Pre-Treatment
- Utility Locates
- Emergency Management Support

Parks & Events

- Coordinate Park Docents
- Parks Board Liaison
- Arts Commission Liaison
- Parks Master Planning
- Donations/Volunteer Coordination
- Janitorial Service
- Parks Operations
- Emergency Management Support

Engineering

- Capital Improvement Program
- Traffic Engineering
- Development Reviews
- Site Construction Inspections
- Emergency Management Logistics
- Transportation Improvement Planning
- Construction Administration

Business Assets

- Asset Management Program
- Facilities Management
- Capital Improvement Program Preparation
- Budget Preparation and Compliance
- Purchasing and Acquisition
- Utility Rate and Fee Development
- Fiscal Data Analysis
- Fleet Management Coordination
- Contract Administration
- Finance Department Liaison
- Solid Waste Management
- Grant Procurement and Management
- Stormwater Compliance
- Emergency Management Logistics

Facilities Maintenance

Description

The Facilities Maintenance Division includes building repairs, maintenance, and janitorial services for all City-owned properties and the Clallam Transit Center. Facilities staff also assist with a variety of highly technical "one-off" projects throughout the City as well as the community clean-up events, including “Rally in the Alley". The operation of the rental facilities within the City is also contained in this division.

Key Goals

- Perform scheduled maintenance and upgrades to City Facilities and document time and expenses in Cartegraph.
- Update and paint exterior of Guy Cole Event Center, Parks tool and equipment storage building, and bathrooms near the Carrie Blake Park playground.
- Implement an upgraded City-wide facilities security system.
- Replace building roofs on the Gerhardt House, the Bandshell building, and the picnic shelter at Carrie Blake Park.

Summary

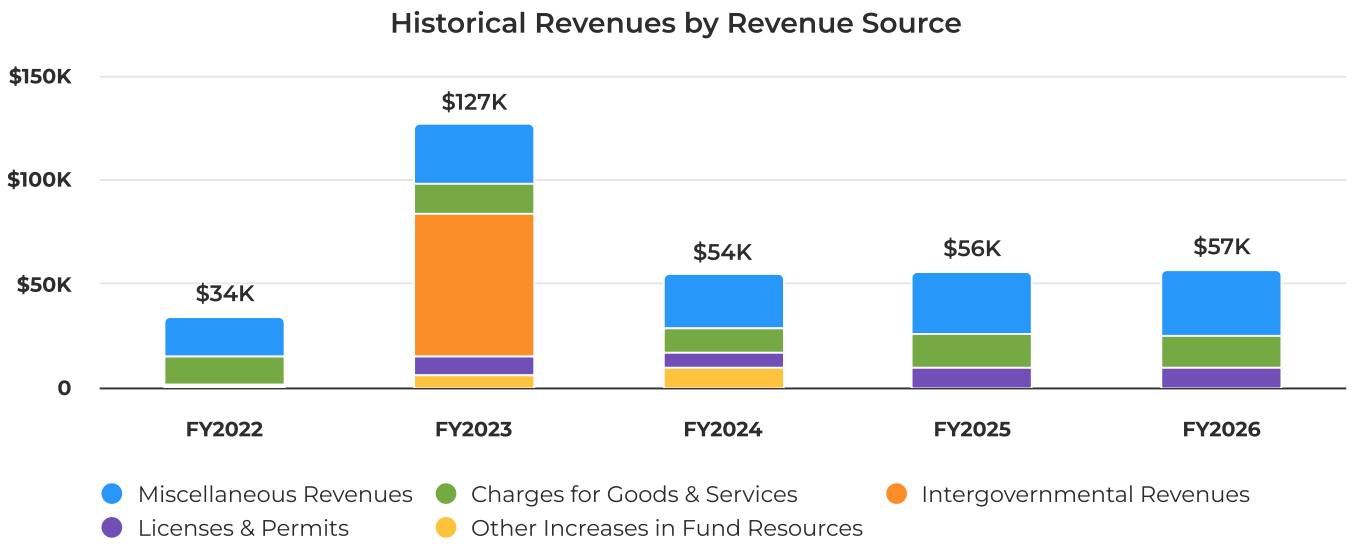
Revenue Summary

Facilities revenue is expected to increase by $1k due to the net effect of a slight reduction in the Transit building's maintenance fees and increases in rental revenues.

Expenditure Summary

This budget decreased by $5k from the 2025 Budget. Salaries and benefits decreased by $28k (7%) due to the movement of a partial FTE to Events. This was offset by an anticipated increase in utilities costs of $13k (19%) and repair and maintenance costs of $14k (47%) due to the reallocation of assets among divisions.

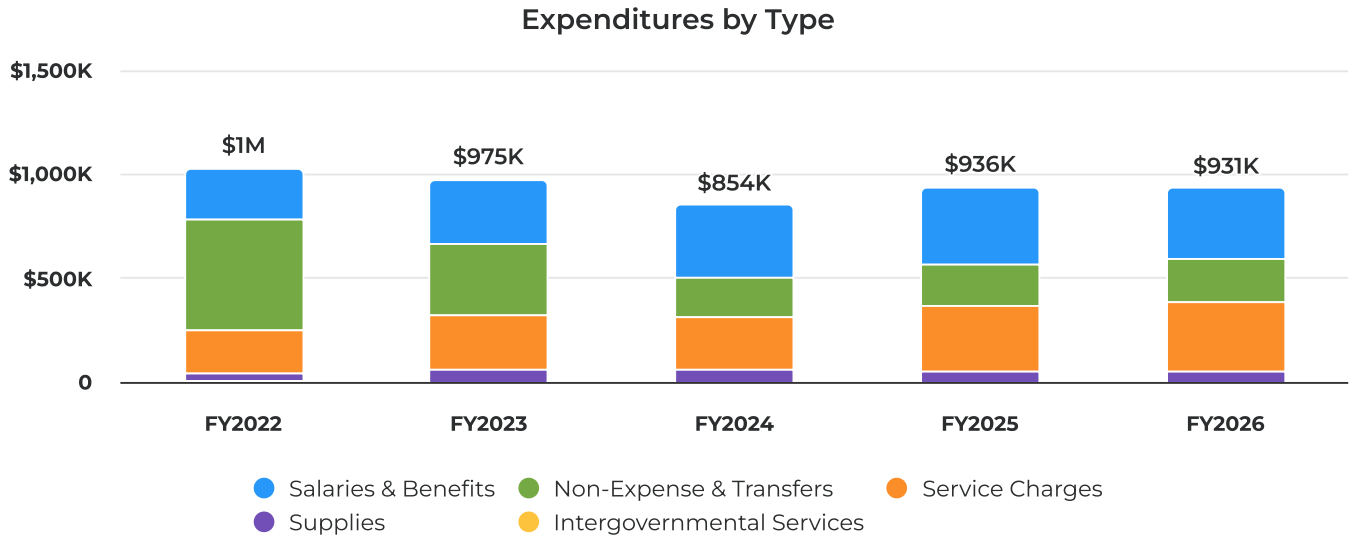
Facilities Maintenance Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$1,250	$9,250	$7,000	$9,250	$9,250	-	0.00%
Intergovernmental Revenues	-	$68,766	-	-	-	-	-
Charges for Goods & Services	$13,921	$14,494	$12,294	$16,370	$15,370	-$1,000	-6.11%
Miscellaneous Revenues	$18,733	$28,317	$25,624	$30,000	$32,000	$2,000	6.67%
Other Increases in Fund Resources	$118	$5,776	$9,494	-	-	-	-
Total Revenues	**$34,022**	**$126,603**	**$54,412**	**$55,620**	**$56,620**	**$1,000**	**1.80%**

Facilities Maintenance Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$536,340	$341,910	$192,818	$204,400	$204,400	-	0.00%
Salaries & Benefits	$246,885	$314,994	$349,783	$367,492	$339,784	-$27,708	-7.54%
Supplies	$36,644	$58,212	$55,382	$49,400	$51,400	$2,000	4.05%
Service Charges	$209,617	$259,891	$255,713	$314,785	$335,875	$21,090	6.70%
Intergovernmental Services	$93	-	-	-	-	-	-
Total Expenditures	**$1,029,579**	**$975,008**	**$853,696**	**$936,077**	**$931,459**	**-$4,618**	**-0.49%**

Park Operations

Description

Park Operations is responsible for the maintenance of nine (9) City-owned parks, including the James Center for the Performing Arts, and the Guy Cole Event Center. Some of the maintenance is shared with non-profit organizations. Total park area property is approximately 133 acres. The City also maintains approximately 4 miles of the Olympic Discovery Trail system located in the City of Sequim. In addition to the Carrie Blake Park complex, the City maintains the relatively undeveloped Keeler, Gerhardt and the newly purchased McCord Parks as well as several smaller parks scattered throughout the City. The Parks Division also coordinates with community groups who provide scheduling and some maintenance of various park play and leisure areas.

Key Goals

- Continued implementation of the Parks Master Plan.
- Community outreach and engagement for Keeler Park and Gerhardt Park Master Plans.
- Identify and pursue funding sources for the development of Parks.

Summary

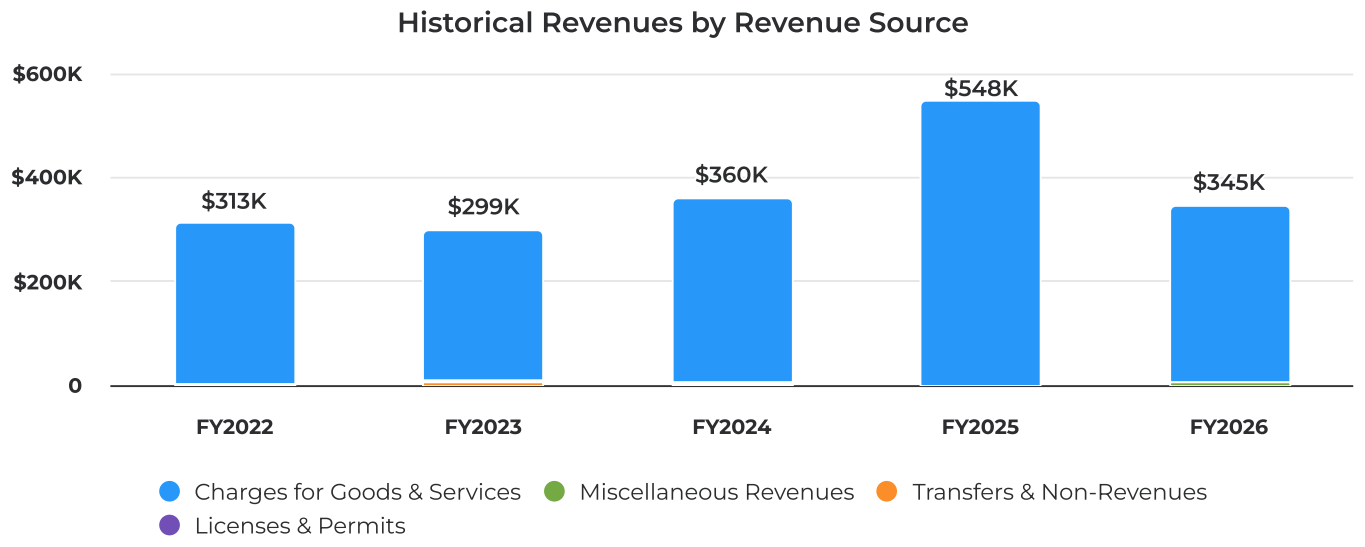
Revenue Summary

Parks revenues are expected to decrease by $202k (37%) from the 2025 Budget due to a reduction in reimbursements from the utilities for certain costs related to the Reuse Demonstration Park. These reimbursements from the utilities (recorded as revenues to the Parks Department) are being scrutinized by City staff.

Expenditure Summary

This budget increased by $17k (2%) from the 2025 Budget. This increase is the result of utility related expenses and adding supplies and tools/small equipment necessary to support the parks function around the Bandshell (which exists on the Reuse Site), and are now being considered General Fund expenditures.

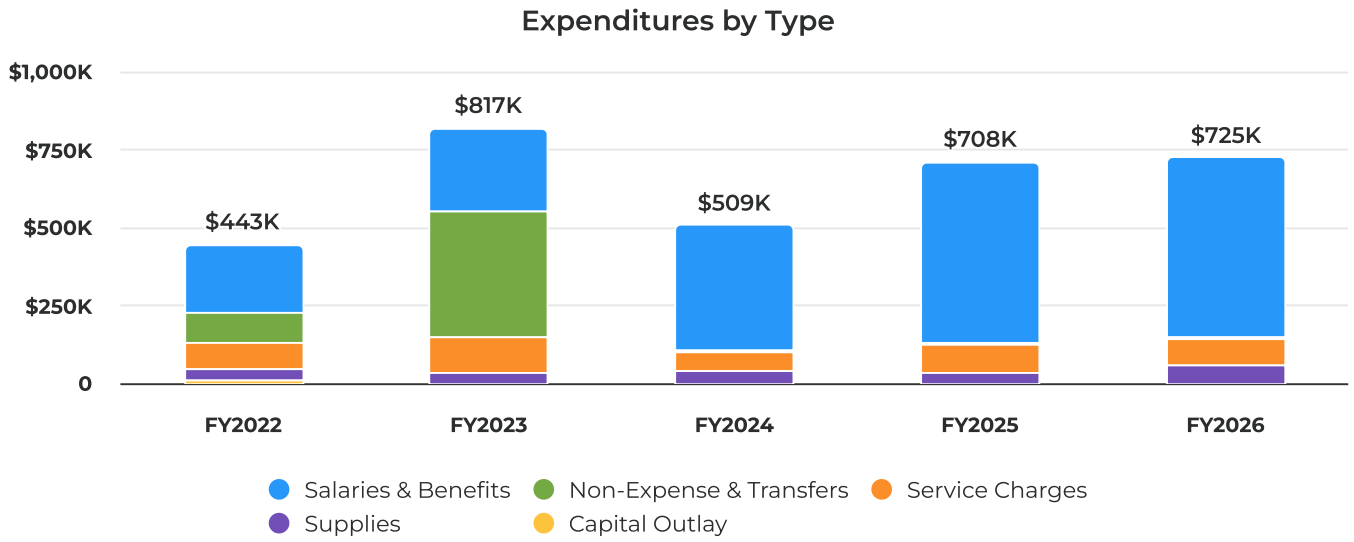
Park Operations Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	-	-	$447	-	-	-	-
Charges for Goods & Services	$309,779	$291,237	$355,230	$547,558	$341,000	-$206,558	-37.72%
Miscellaneous Revenues	$2,744	$1,735	$4,208	-	$4,200	$4,200	-
Transfers & Non-Revenues	-	$6,312	-	-	-	-	-
Total Revenues	**$312,523**	**$299,284**	**$359,884**	**$547,558**	**$345,200**	**-$202,358**	**-36.96%**

Park Operations Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$97,000	$407,000	$7,000	$7,000	$7,000	-	0.00%
Salaries & Benefits	$216,115	$262,876	$404,195	$578,399	$576,330	-$2,069	-0.36%
Supplies	$38,268	$31,068	$36,677	$34,825	$55,900	$21,075	60.52%
Service Charges	$84,112	$116,117	$60,875	$87,660	$85,645	-$2,015	-2.30%
Capital Outlay	$7,758	-	-	-	-	-	-
Total Expenditures	**$443,253**	**$817,061**	**$508,748**	**$707,884**	**$724,875**	**$16,991**	**2.40%**

Events

Description

The Events Department is responsible for supporting community events and special permit-related activities. The City has allocated 20% of the Parks and Events Manager, 40% of the Assistant Parks and Events Manager, and 50% of a Parks and Events Specialist's salaries and benefits to this section. The events budgeted in 2026 include the Sunshine Festival, the 4th of July celebration, the Kids Fishing Derby, a Memorial Day Celebration, a Veteran's Day Celebration, a 911 Celebration, Halloween activities, Bike Month activities, and an Arbor Day Celebration. See Hotel/Motel Department for Sunshine Festival Details.

Key Goals

- Develop and refine community events and programming based on community outreach feedback.
- Envision, plan, assist in marketing, and operate flagship events.

Summary

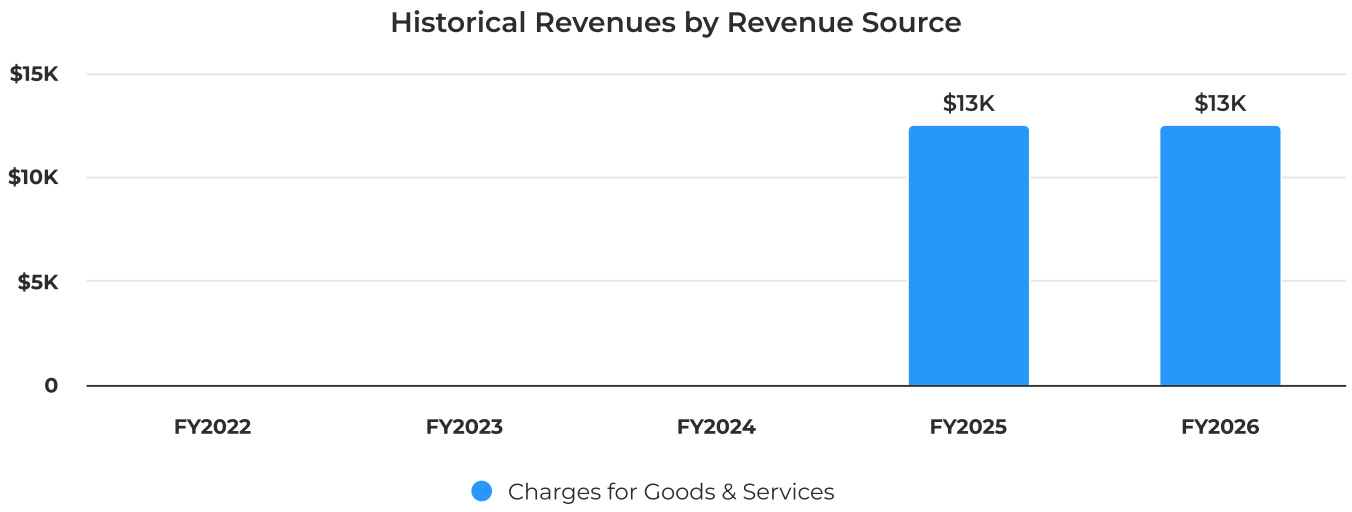
Revenue Summary

Revenues for this section are not expected to change from the 2025 Budget.

Expenditure Summary

This budget increased by $44K (42%) from the 2025 Budget. This increase is the result of adding additional staff time to the budget to support the organization of additional events in 2026.

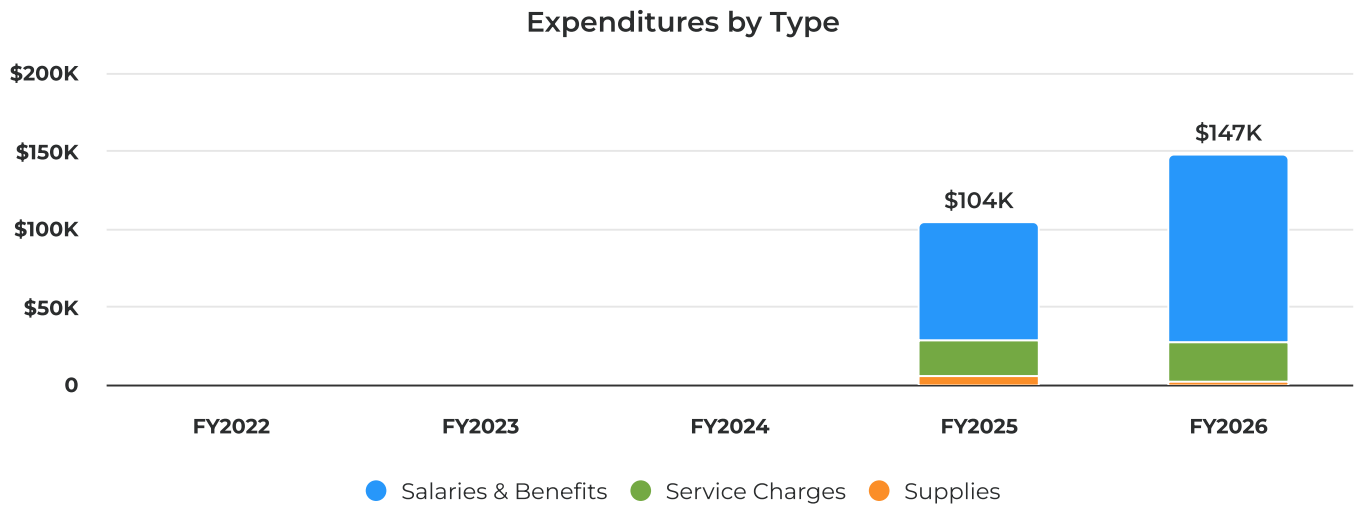
Events Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Charges for Goods & Services	-	-	-	$12,500	$12,500	-	0.00%
Total Revenues	**-**	**-**	**-**	**$12,500**	**$12,500**	**-**	**0.00%**

Events Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	-	-	-	$75,715	$120,683	$44,968	59.39%
Supplies	-	-	-	$5,000	$1,884	-$3,116	-62.32%
Service Charges	-	-	-	$23,000	$24,750	$1,750	7.61%
Total Expenditures	**-**	**-**	**-**	**$103,715**	**$147,317**	**$43,602**	**42.04%**

PW Administration

Description

The Public Works Department has the primary responsibility to provide and maintain the infrastructure, facilities, and services that meet the needs of the City of Sequim and comply with the state, federal and Council established standards and priorities. Public Works Administration provides the overall management and support for these functions. The Public Works office coordinates with outside jurisdictions, oversees contract management and consultant agreements, administers grant and loan agreements, facilitates transportation and infrastructure planning, assists in development review and answers customer inquiries. It oversees budget preparation and administration and ensures compliance with purchasing regulations.

Key Goals

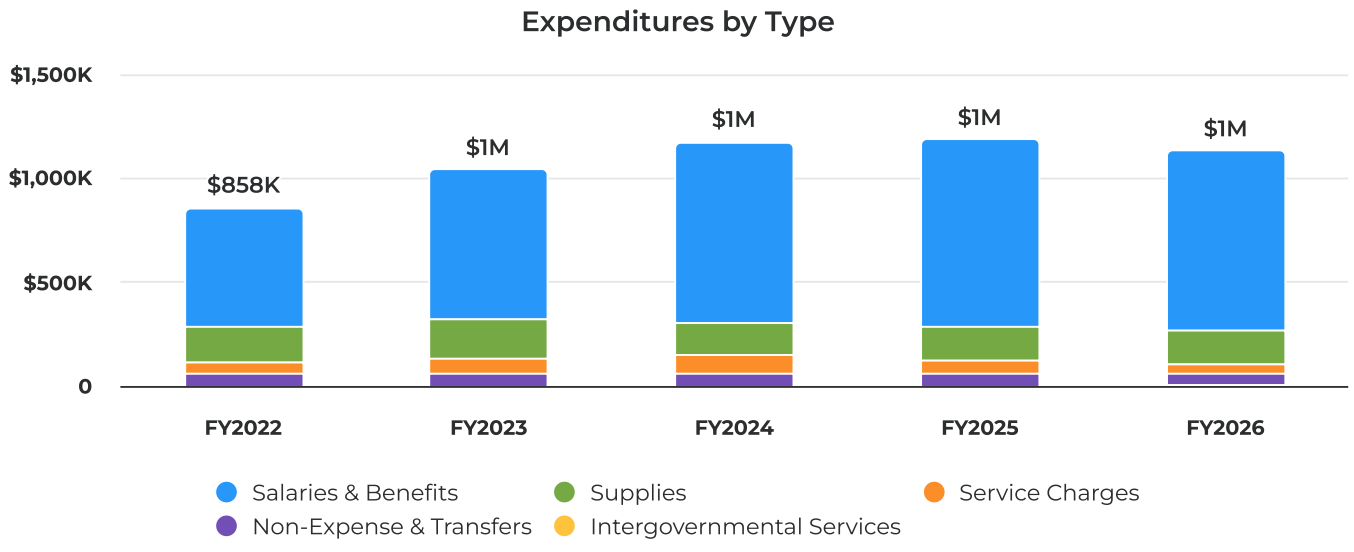
- Collaborate with legislators, local and regional governmental entities, and other private organizations to promote infrastructure expansion and improvement that supports development and community needs.
- Support the Department of Community and Economic Development's update of the Comprehensive Plan.
- Strengthen utilization of Cartegraph Asset Management System for asset documentation, maintenance, and rehabilitation/replacement, including Fleet.
- Source and purchase necessary equipment to improve or maintain service levels throughout the city.
- Emergency Operations support.

Summary

Expenditure Summary

This budget decreased by $54k (5%) from the 2025 Budget. Salaries and benefits decreased by $31k (3%) due to the net effect of staffing changes (removal of the part-time Continuity Advisor for the Simdars Exchange Project and the addition of a partial FTE for an Asset Analyst). In addition, there is a $9K (10%) decrease expected in supplies and minor equipment, $5k (14%) decrease in services resulting in the allocation of costs to other divisions, and a $13k (21%) decrease in transfers to replace public works equipment.

PW Administration Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$63,000	$63,000	$63,000	$63,000	$50,000	-$13,000	-20.63%
Salaries & Benefits	$573,860	$724,107	$869,560	$898,736	$868,074	-$30,662	-3.41%
Supplies	$172,950	$182,916	$156,703	$165,300	$156,300	-$9,000	-5.44%
Service Charges	$48,056	$71,519	$82,166	$59,221	$49,165	-$10,056	-16.98%
Intergovernmental Services	-	-	-	-	$8,400	-	-
Total Expenditures	**$857,867**	**$1,041,542**	**$1,171,429**	**$1,186,257**	**$1,131,939**	**-$54,318**	**-4.58%**

Street Operations

Description

The Streets Operations supports general operations for maintaining a transportation network that safely combines motorized (including transit services) and non-motorized elements for the public. Primary responsibilities include maintaining the roadway and right-of-way, snow and ice control, providing traffic control for motorized traffic and pedestrians (such as street signs, traffic signals, and pavement markings), maintaining sidewalks and trails, street trees and landscaping, street lighting, parking facilities, and other maintenance-related services. Unrestricted revenues come from: General Fund, motor vehicle tax and arterial fuel tax.

Key Goals

- Update City street signs and ensure all maintenance is documented in Cartegraph.
- Initiate a sign reflectivity testing program.
- Develop innovative maintenance methods to reduce task time related to asphalt replacement and flat work.
- Repair damaged city guard rails.
- Conduct a focused push to repair sunken, damaged, or raised sidewalk panels across the City.
- Inspect and evaluate all Right-of-Way irrigation systems to ensure the best water-efficient devices and practices are being used and followed.

Summary

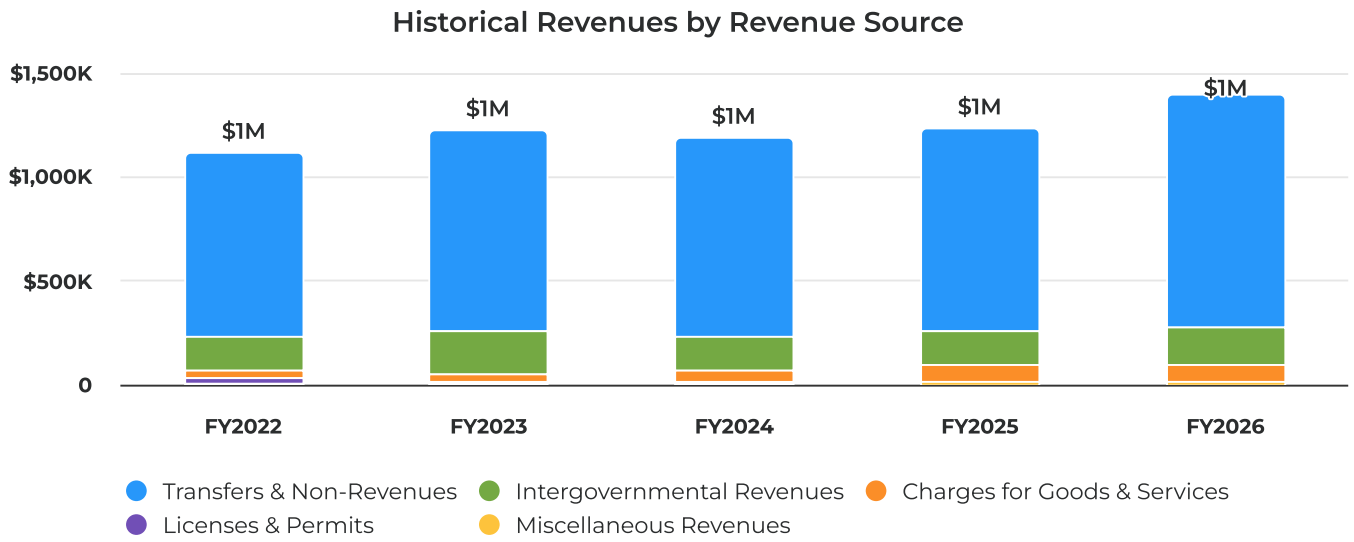
Revenue Summary

Streets revenue increased by $163k (13%) due to an anticipated increase in Transportation Benefit District tax contributions of $126k (48%), an increase in Motor Vehicle Fuel Tax of $9k (6%), charges for Public Works property maintenance of $6k (9%), as well as transfers from the general fund of $20k (3%).

Expenditure Summary

This budget increased by $162k (13%) from the 2025 Budget. Salaries and benefits increased $67k (13%) due to the addition of seasonal support staff and contractual bargaining unit increases not reflected in the 2025 budget (due to the timing of contract ratification). In addition, maintenance costs increased $60k (28%) to support striping work and guardrail replacement.

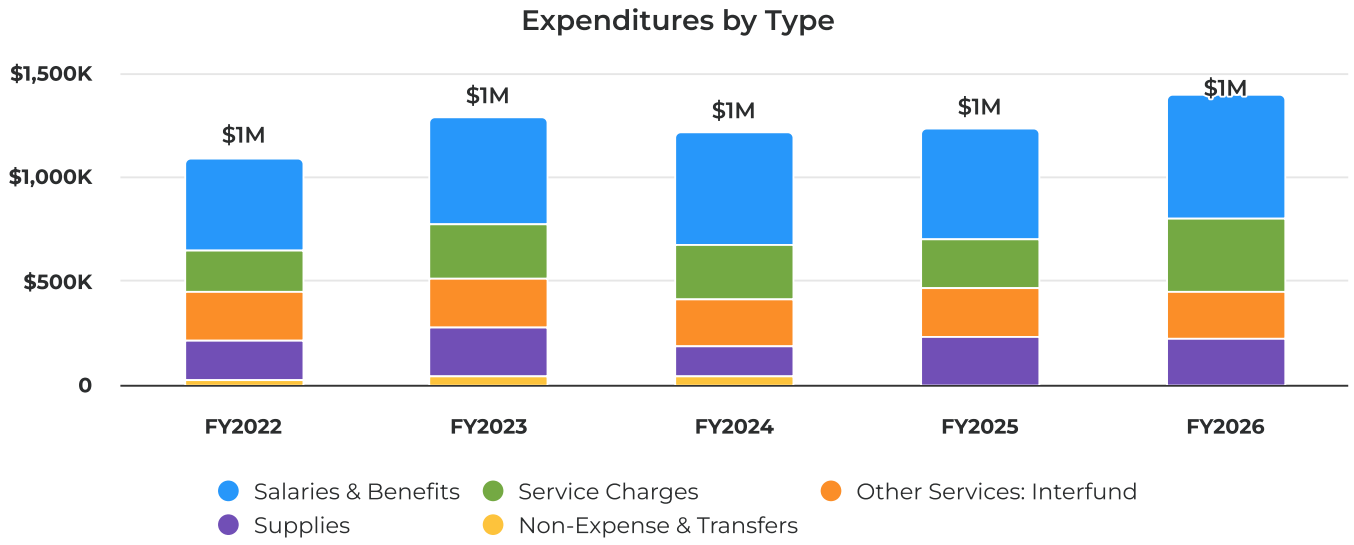
Street Operations Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$27,613	$4,531	$6,954	$4,500	$6,954	$2,454	54.53%
Intergovernmental Revenues	$163,240	$203,217	$158,503	$164,679	$173,537	$8,858	5.38%
Charges for Goods & Services	$31,002	$38,494	$53,571	$75,101	$81,101	$6,000	7.99%
Miscellaneous Revenues	$8,487	$8,313	$8,819	$10,820	$10,820	-	0.00%
Transfers & Non-Revenues	$883,022	$967,392	$957,164	$977,000	$1,123,000	$146,000	14.94%
Total Revenues	**$1,113,363**	**$1,221,947**	**$1,185,010**	**$1,232,100**	**$1,395,412**	**$163,312**	**13.25%**

Street Operations Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$19,000	$45,000	$45,000	-	-	-	-
Salaries & Benefits	$450,072	$517,243	$539,688	$528,465	$595,193	$66,728	12.63%
Supplies	$197,321	$235,034	$141,587	$234,835	$222,940	-$11,895	-5.07%
Service Charges	$190,992	$256,000	$260,023	$233,880	$349,275	$115,395	49.34%
Other Services: Interfund	$234,943	$232,406	$226,629	$234,000	$226,000	-$8,000	-3.42%
Total Expenditures	**$1,092,328**	**$1,285,682**	**$1,212,927**	**$1,231,180**	**$1,393,408**	**$162,228**	**13.18%**

Stormwater Operations

Description

Stormwater operations manages risk and resiliency by protecting water quality, water resources/ supplies, and preventing damage from floods. Stormwater operations and maintenance staff includes field personnel who maintain the City stormwater facilities and respond to flooding issues during storms. These operations are supported by the Public Works Administrative division with compliance tracking, coordination with commercial, residential, and irrigation facility owners, planning and technical support, and grant funding applications.

Field operations currently entail maintaining and repairing City-owned facilities: In-pipe cameras are used to assess infrastructure condition, the vac truck is used to clean catch basins and clear infiltration lines and dry wells, staff or contractors maintain stormwater ponds to ensure they are functioning as designed and the street sweeper is utilized weekly on all streets per a regular schedule.

The City's inventory and mapping of its stormwater (and other in-ground) facilities is ongoing. With the planned expansion of GIS capabilities this information will be made available department-wide for tracking and scheduling maintenance. Periodic work responding to storms includes sandbagging to direct runoff into appropriate storm drains, clearing trash racks and culverts when they are clogged, etc. The most problematic clogs are usually resolved with the vac truck. Mutual assistance contracts with Sequim Prairie Tri-Irrigation Association and Highland Irrigation District are in place to expedite storm response.

Key Goals

- Maintenance and brush removal of all the City stormwater ponds.
- Clean and maintain all the City catch basins per sludge level and maintenance needs. Includes filter replacement as needed on water quality devices.
- Replace stormwater pond fencing as needed. Add a temporary maintenance road to the Mill Road stormwater pond and remove cattails per design.

Summary

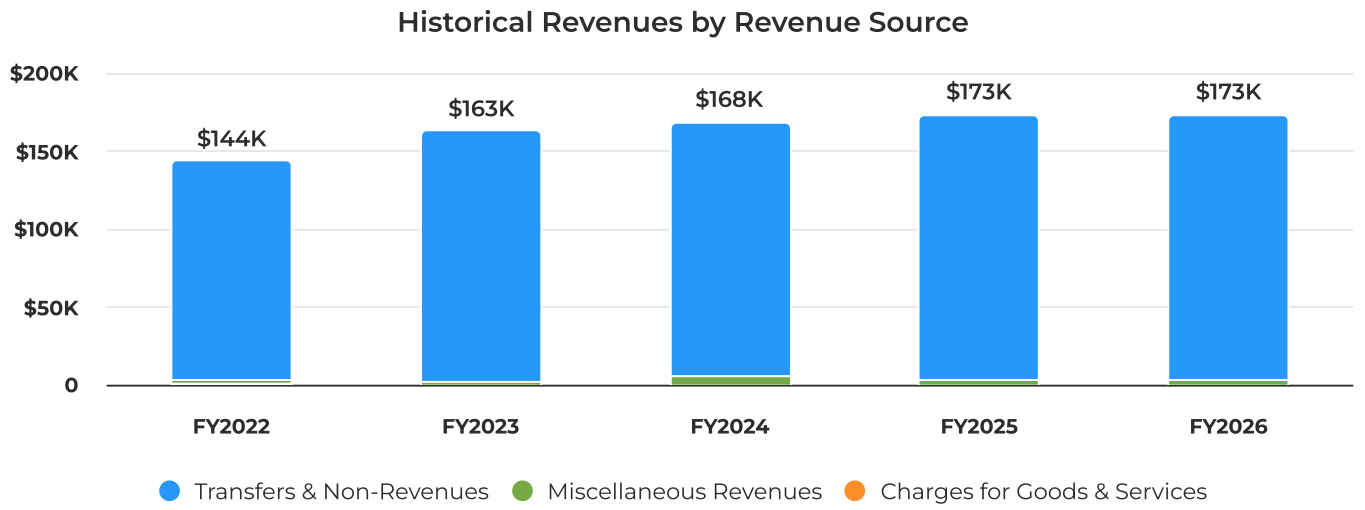
Revenue Summary

The Stormwater Operations budget is, and has historically been, funded by transfers from the Water (33%) and Sewer (67%) Funds proportionately by fund revenue. This is due to the fact that both utilities benefit from street cleaning and other stormwater maintenance activities that protect our water supply and prevent the Water Reclamation Facility from having to "over" process street run off. For 2026, the transfer amount from the Water Fund is $60k and from the Sewer fund is $110k. This amount covers only the operational activities of the Stormwater Program.

Expenditure Summary

This budget increased $3k (2%) from the 2025 Budget. Salaries and benefits increased by $2.5k (3%) as a result of wage increases. In addition, a $400 (9%) increase in supply costs is anticipated as a result of inflation.

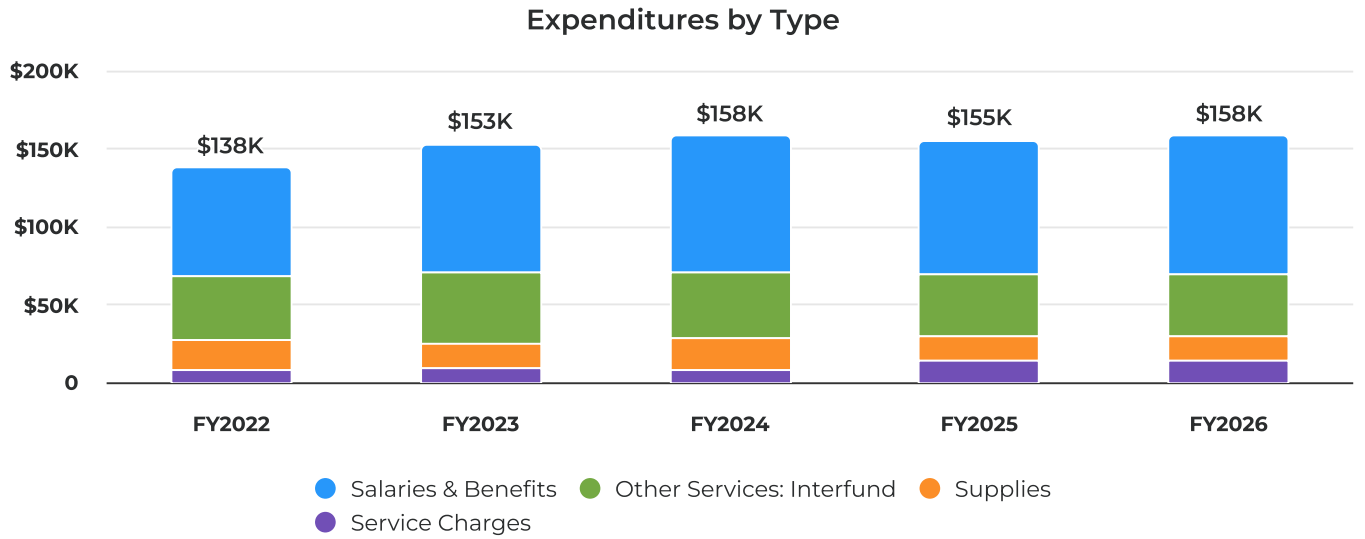
Stormwater Operations Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Charges for Goods & Services	$175	-	-	-	-	-	-
Miscellaneous Revenues	$2,588	$2,122	$4,821	$2,935	$2,935	-	0.00%
Transfers & Non-Revenues	$141,170	$161,000	$163,572	$170,000	$170,000	-	0.00%
Total Revenues	**$143,933**	**$163,122**	**$168,393**	**$172,935**	**$172,935**	**-**	**0.00%**

Stormwater Operations Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Salaries & Benefits	$69,711	$82,318	$87,337	$86,218	$88,753	$2,535	2.94%
Supplies	$18,675	$15,376	$20,592	$15,050	$15,450	$400	2.66%
Service Charges	$7,849	$9,008	$7,457	$13,950	$14,100	$150	1.08%
Other Services: Interfund	$41,518	$46,294	$42,961	$40,000	$40,000	-	0.00%
Total Expenditures	**$137,754**	**$152,995**	**$158,347**	**$155,218**	**$158,303**	**$3,085**	**1.99%**

Water Operations

Description

The Water Operations Division receives revenues from monthly water usage charges. These revenues are used to cover the cost of operating the water utility, which includes producing potable water, monitoring water quality, small infrastructure improvements, and maintaining existing water lines, wells, booster stations, reservoirs, and other infrastructure to store and transport water. Three months of operating expenses are maintained in the fund for emergency purposes. Revenues received over the cost of planned expenses and operating reserves are transferred to the Water Replacement Reserve fund for future replacement of the water infrastructure and equipment.

Management oversight and support is provided by the PW Director, Utilities Manager and other staff in Public Works Administration. Utility billing and administrative support is provided by Finance. The General Fund finances a portion of management oversight and Finance Department services. Services provided by departments outside of the Water Fund are charged to the Water Fund through an Interfund Professional Services Charge (Allocations).

Approximately 1,400,000 gallons per day (gpd) of potable water are provided to the citizens and businesses of Sequim during the summer months and approximately 752,000 gpd during late fall and winter. In addition to this water production and treatment, staff also maintains approximately 77 miles of water line, 3 reservoirs that provide a total of 2.9 million gallons of storage, and three water sources. The Department of Ecology and Department of Health regulate water rights and water quality through state-mandated daily, monthly and yearly reports that guarantee the steady flow of quality water to citizens.

Key Goals

- Comply with all state, federal, and city requirements and regulations.
- Continue repairing and refining water system components and processes to increase resilience, safety and health during a natural disaster or water system interruption event.
- Perform conditional assessments to identify and repair/replace old and/or leaking pipes and hydrants. Use the assessment information to refine the asset management replacement schedules and estimate for future expenditures.
- Explore Supervisory Control and Data Acquisition (SCADA) system strategies for the water system to improve overall system reliability, reduce costs, and minimize risks.
- Develop plan for valve exercising and implementation of unidirectional flushing.
- Provide additional training for staff to ensure that all industry standards are met or exceeded.

Summary

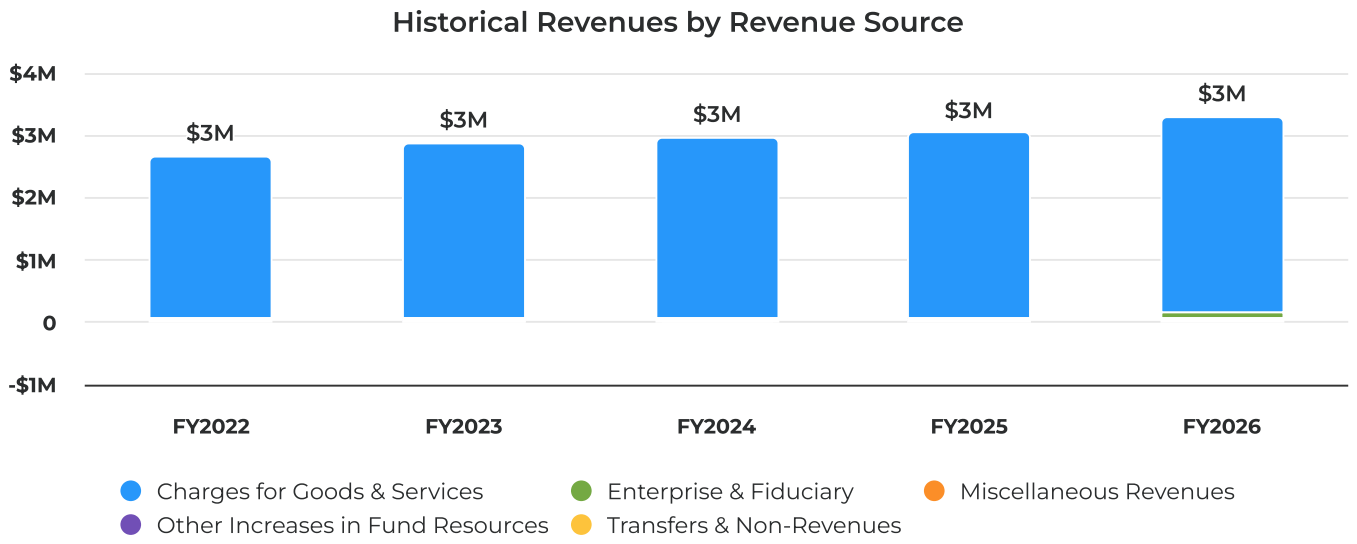
Revenue Summary

Budgeted revenues increased $244k (8%) above 2025 revenues as a result of the Council approved 5.5% rate increase and also reflect growth in the number of water customers and related meter installation services revenue.

Expenditure Summary

Overall expenses in Water Operations increased $265k (9%) from the 2025 Budget. This is a result of increased wages and benefits of $45k (7%), fire & casualty insurance of $150k (60%), and service fees for new online payment processing fees of $30k (100%).

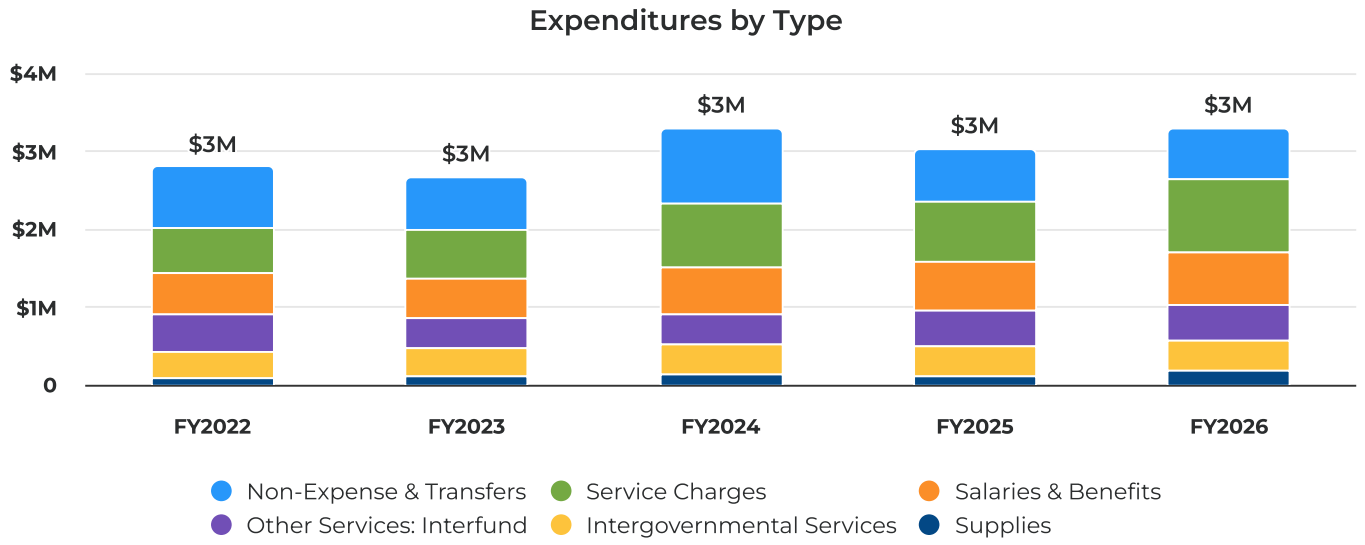
Water Operations Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Charges for Goods & Services	$2,578,941	$2,805,063	$2,887,648	$2,965,140	$3,137,913	$172,773	5.83%
Miscellaneous Revenues	$15,579	$18,356	$36,654	$15,000	$28,608	$13,608	90.72%
Other Increases in Fund Resources	$25,156	$18,570	-$3,564	$27,200	$27,200	-	0.00%
Enterprise & Fiduciary	$42,790	$15,958	$41,397	$42,000	$100,000	$58,000	138.10%
Transfers & Non-Revenues	-	$18,186	-	-	-	-	-
Total Revenues	**$2,662,466**	**$2,876,134**	**$2,962,135**	**$3,049,340**	**$3,293,721**	**$244,381**	**8.01%**

Water Operations Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$786,799	$671,877	$956,607	$680,000	$655,000	-$25,000	-3.68%
Salaries & Benefits	$541,503	$503,639	$611,784	$618,614	$664,243	$45,629	7.38%
Supplies	$88,642	$113,449	$123,954	$111,225	$170,000	$58,775	52.84%
Service Charges	$565,629	$632,843	$817,133	$775,275	$949,610	$174,335	22.49%
Intergovernmental Services	$324,260	$354,109	$388,204	$393,150	$404,275	$11,125	2.83%
Other Services: Interfund	$488,664	$390,378	$392,783	$450,000	$450,000	-	0.00%
Total Expenditures	**$2,795,496**	**$2,666,296**	**$3,290,464**	**$3,028,264**	**$3,293,128**	**$264,864**	**8.75%**

Sewer Operations

Description

The Sewer Operations Division receives revenues from monthly sewer usage charges. These revenues are used to cover the cost of operating the sewer utility, which includes operation of the Water Reclamation Facility (WRF), influent, effluent, and biosolids testing, maintaining sewer lines, lift stations and other infrastructure to transport wastewater. Three months of operating expenses are maintained in the fund for emergency purposes. Revenues received over the cost of planned expenses and operating reserves are transferred to the Sewer Replacement Reserve fund for future replacement of the sewer infrastructure and equipment.

Management oversight and support is provided by the PW Director, Utilities Manager, Operations Manager and other staff in Public Works Administration. Utility billing and administrative support is provided by Finance. The General Fund finances a portion of management oversight and all of Finance Department services. Services provided by departments outside of the Sewer Fund are charged to the Sewer Fund through an Interfund Professional Services Charge (Allocations).

This division maintains approximately 70 miles of sewer line, four lift stations, a 1.67 million gallon per day capacity WRF, producing 100% Class “A” Reclaimed Water, a Class “A” (EQ) Biosolids, and 7,320 feet of outfall pipe measured from the WRF to the diffuser located approximately 1,900 feet into the Strait of Juan de Fuca at a depth of 53 feet. The WRF is required to meet stringent National Pollutant Discharge Elimination System (NPDES) requirements. All infrastructure at the Reuse Demonstration Site is operated and maintained by the WRF. All equipment must be maintained and upgraded as needed to satisfy state and federal permitting requirements.

Key Goals

Sewer Collection

- Evaluate the amount of Inflow and Infiltration into the city sewer collection system and determine a course of action for future years.
- Provide functional improvements to the North End sewer lift station to enhance operational and maintenance services.
- Provide public education about the harmful effects of cat litter and flushable wipes on the sewer system.
- Implement an updated Fats, Oils and Grease (FOG) and Wastewater Source Control Program.
- Provide North America Sewer Service Company (NASSCO) training and certification for sewer operations crew.

Water Reclamation Facility

- Ensure compliance with all state, federal, and city requirements and regulations.
- Work with Department of Ecology to expand WRF environmental laboratory accreditation to increase accuracy and reduce costs.
- Increase process efficiency to reduce operational expenses and minimize necessary rate adjustments. Explore alternative biosolids processes and uses.
- Provide additional training for staff to ensure all industry standards are met or exceeded.
- Boost awareness and education of the benefits of Reuse Water to inform our citizens on how the City utilizes that resource.
- Explore Supervisory Control and Data Acquisition (SCADA) system strategies for the wastewater collection and treatment system to improve overall system reliability, reduce costs, and minimize risks.

Summary

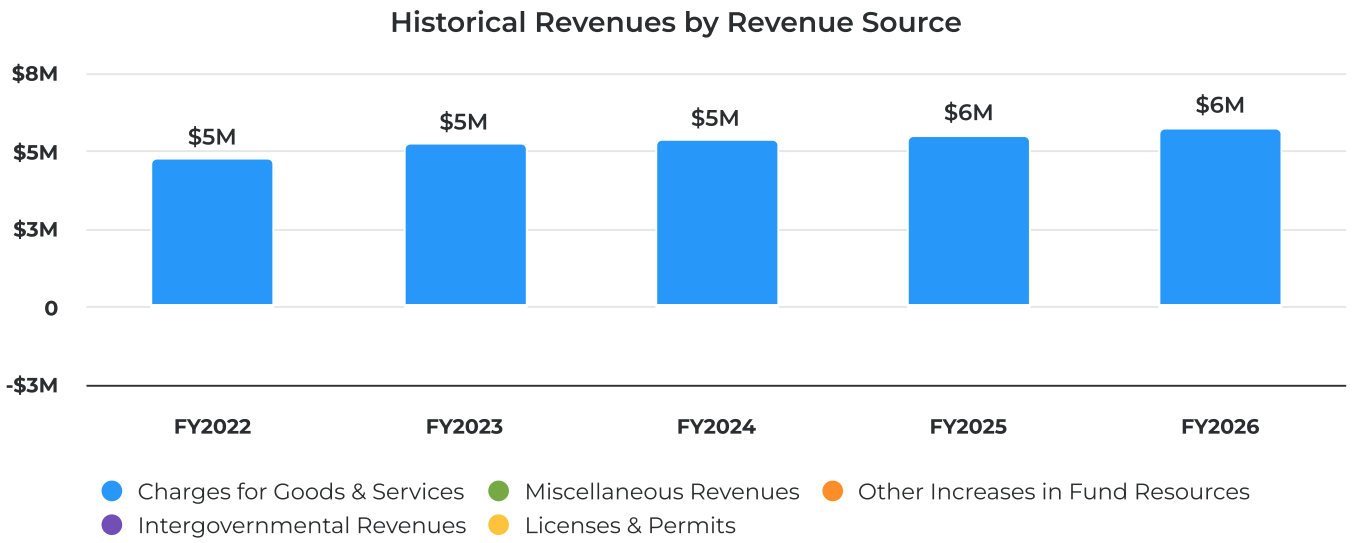
Revenue Summary

2026 budgeted revenues increased by $223k (4%) as a result of the Council approved 4.5% rate increase and to reflect growth in the number of sewer customers. Commercial rate revenue increased by $8k (1%), regional partnerships/services by $30k (6%), and residential rate revenue by $153k (4.5%).

Expenditure Summary

This budget increased by $88k (2%) from the 2025 Budget. Salaries and benefits increased $157k (13%), $67k (100%) in service fees for new online payment processing fees, $36k (4%) in administrative service fees, $47k (16%) in supplies and operations services, and $100k (40%) in transfers out for debt services associated with repayment of loans. These increases were offset by $210k (65%) decrease in fire & casualty insurance and $132k (34%) decrease in reuse professional services.

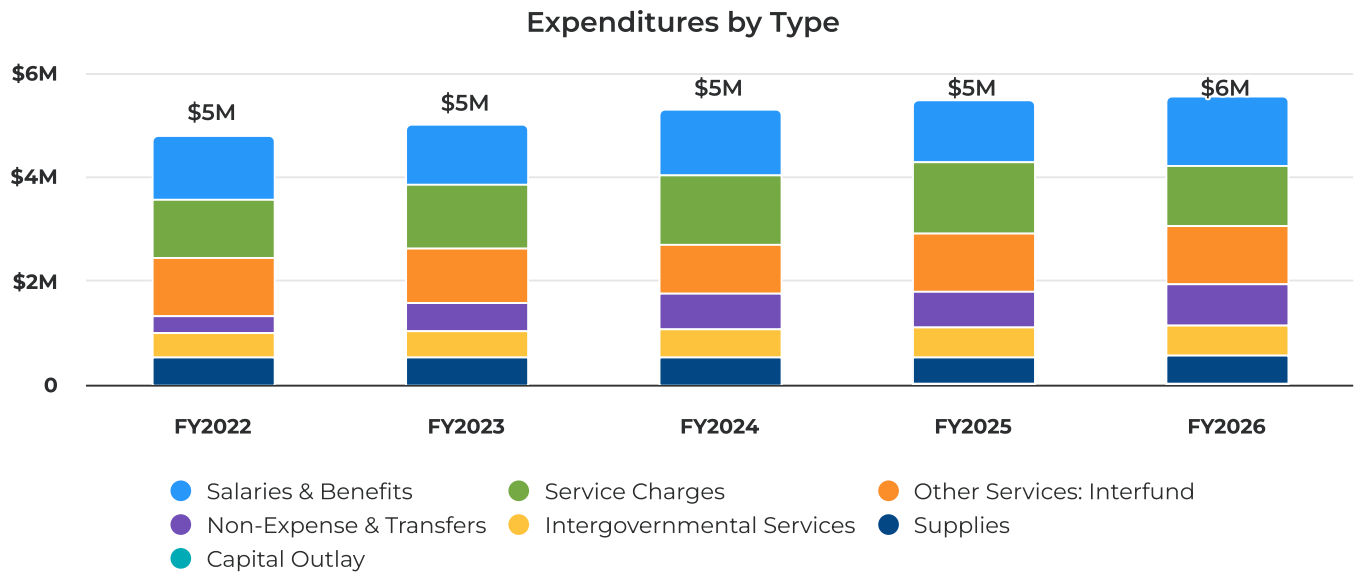
Sewer Operations Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$41	-	-	-	-	-	-
Intergovernmental Revenues	-	$9,781	-	-	-	-	-
Charges for Goods & Services	$4,709,984	$5,164,744	$5,287,407	$5,457,810	$5,648,899	$191,089	3.50%
Miscellaneous Revenues	$26,130	$24,152	$70,840	$20,200	$52,000	$31,800	157.43%
Other Increases in Fund Resources	$21,667	$22,058	-$35,058	$25,000	$25,000	-	0.00%
Total Revenues	**$4,757,822**	**$5,220,735**	**$5,323,189**	**$5,503,010**	**$5,725,899**	**$222,889**	**4.05%**

Sewer Operations Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$322,892	$535,333	$664,025	$685,000	$785,000	$100,000	14.60%
Salaries & Benefits	$1,232,323	$1,167,823	$1,263,879	$1,186,342	$1,343,253	$156,911	13.23%
Supplies	$513,650	$515,556	$525,790	$527,650	$545,700	$18,050	3.42%
Service Charges	$1,113,512	$1,231,635	$1,328,293	$1,367,839	$1,147,466	-$220,373	-16.11%
Intergovernmental Services	$472,116	$513,115	$545,261	$562,100	$595,594	$33,494	5.96%
Capital Outlay	-	-	-	$1	$1	-	0.00%
Other Services: Interfund	$1,136,573	$1,042,047	$969,479	$1,130,000	$1,130,000	-	0.00%
Total Expenditures	**$4,791,067**	**$5,005,509**	**$5,296,728**	**$5,458,932**	**$5,547,014**	**$88,082**	**1.61%**

Engineering

Description

Engineering provides design and construction management services for general Public Works, Street, Water, Sewer, Stormwater, Parks and Facilities Capital Projects. Engineering also assists other City departments as needed and responds to questions from the general public.

Key Goals

- Utilize Tyler Permitting to track permit review and approval timeliness.
- Revise and improve existing codes and engineering standards to align with modern practices and requirements.
- Update engineering standards for water and streets and complete a comprehensive portfolio of engineering standards for sewer and stormwater. Coordinate standards with Sequim Municipal Code (SMC).
- Maintain Capital Improvement Projects expenses within 10% of the planning budget.
- Pursue grant opportunities in support of 2026/2027 Capital Improvement Projects.
- Coordinate the Water System Plan, General Sewer Plan, and the Transportation Master Plan with the updated Comprehensive Plan and growth projections.
- Develop Chip Seal program for Local and Neighborhood streets.

Summary

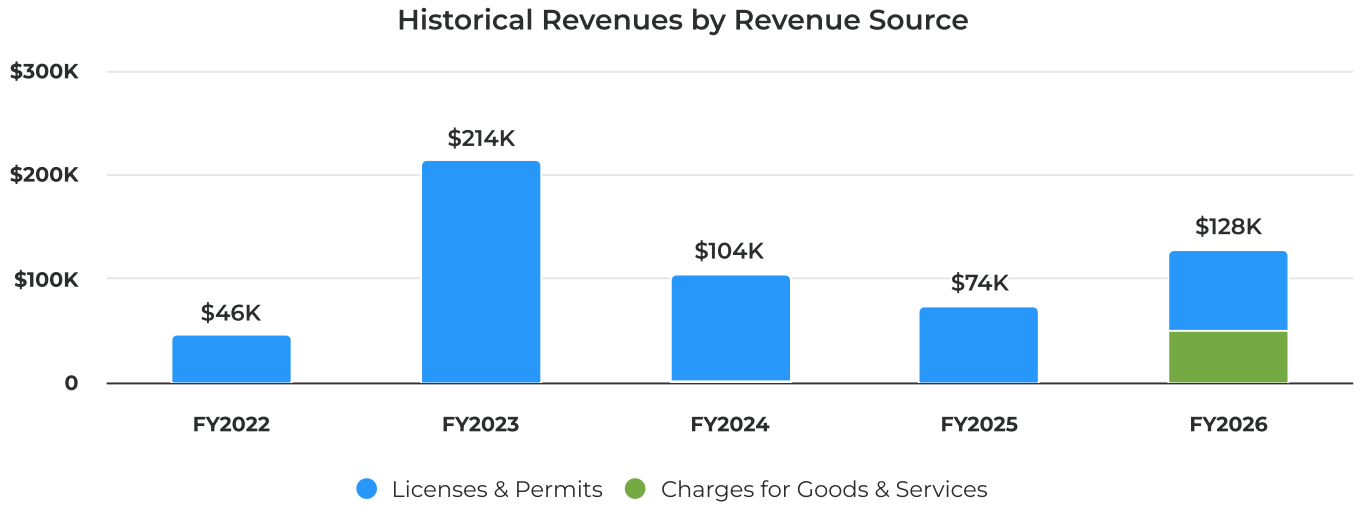
Revenue Summary

Revenues are expected to increase by $54k (73%) from the 2025 Budget due to a change in cost reimbursement for engineering services related to plan review.

Expenditure Summary

This budget increased by $84k (42%) from the 2025 Budget. This increase is the result of $50k (100%) in additional engineering services related to plan review and $78k (100%) in additional engineering services related to site construction permits. This is offset by a decrease in salaries and benefits of $24k (15%) for engineering time that will be allocated to other departments and funds.

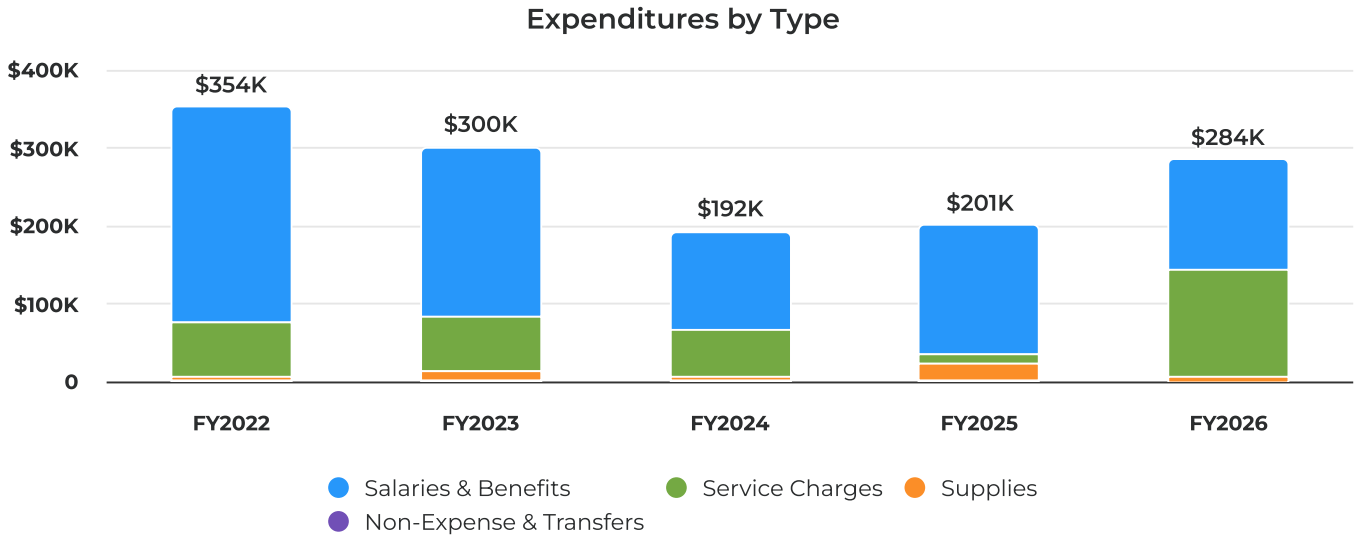
Engineering Revenues



Revenues by Source

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Licenses & Permits	$45,753	$214,002	$104,304	$74,000	$78,000	$4,000	5.41%
Charges for Goods & Services	-	-	$85	-	$50,000	-	-
Total Revenues	**$45,753**	**$214,002**	**$104,389**	**$74,000**	**$128,000**	**$54,000**	**72.97%**

Engineering Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$2,400	$2,400	$2,400	$2,400	-	-	-
Salaries & Benefits	$278,869	$217,256	$125,683	$165,157	$140,987	-$24,170	-14.63%
Supplies	$2,668	$11,793	$3,111	$19,725	$5,925	-$13,800	-69.96%
Service Charges	$70,114	$68,858	$61,297	$13,250	$137,475	$124,225	937.55%
Total Expenditures	**$354,051**	**$300,307**	**$192,491**	**$200,532**	**$284,387**	**$83,855**	**41.82%**

Streets Restricted

Description

The Streets Restricted Fund is comprised of special revenues, private development contributions, and grants. These funds are restricted by state and/or federal regulations, agreements, or restrictions created by City Council. The funds are used to improve the transportation network which addresses safety, mobility preservation, and functional use needs. Restricted Street funded projects that require a match of city funds may be financed from Streets Unrestricted, General Funds, REET 2 (Real Estate Excise Tax), Transportation Benefit District taxes, and other sources.

Key Goals

2026-2031 Transportation Improvement Program

N 3rd Ave Complete Streets (STR-104RR) $984K (multiyear project, $5.3M)
Location: N 3rd Ave, from W Washington St to W Fir St
Project: Rehabilitation of 3rd Avenue including new hot mix asphalt, bike lanes, sidewalk, traffic-calming measures, landscaping, lighting, and drainage improvements.
Benefit: Improves pedestrian and bicycle mobility and enhances safety for users of all ages and abilities.
Funding Note: This project is dependent upon outside funding that has not yet been secured.

Johnson Creek Crossing Repair (STR-087RR) $300K (multiyear project, $2M)
Location: Johnson Creek & Hwy 101 in east Sequim
Project: Repair of Johnson Creek Railroad Trestle Foot Bridge based on 2022 inspection.
Benefit: Improve pedestrian structure over Johnson Creek.
Funding Note: This project is partially funded by a grant.

Flaura's Acres Street (PWP-STR-172RR) $1M
Location: Blair Ave, Belfield Ave, and Still St
Project: Upgrade the streets within the Flaura's Acres development to City standards.
Benefit: Improve traffic flow and pedestrian access.
Funding Note: This project is dependent upon outside funding that has not yet been secured.

Keeler Rd Multiuse Path, W Sequim Bay Rd and Olympic Discovery Trail (STR-146CU) $546K
Location: Keeler Rd from W Sequim Bay Rd south to the Olympic Discovery Trail
Project: Design and construct a multi-use path on Keeler Rd between W Sequim Bay Rd and the Olympic Discovery Trail
Benefit: Improve access to the Olympic Discovery Trail.
Funding Note: This project is partially funded by a grant.

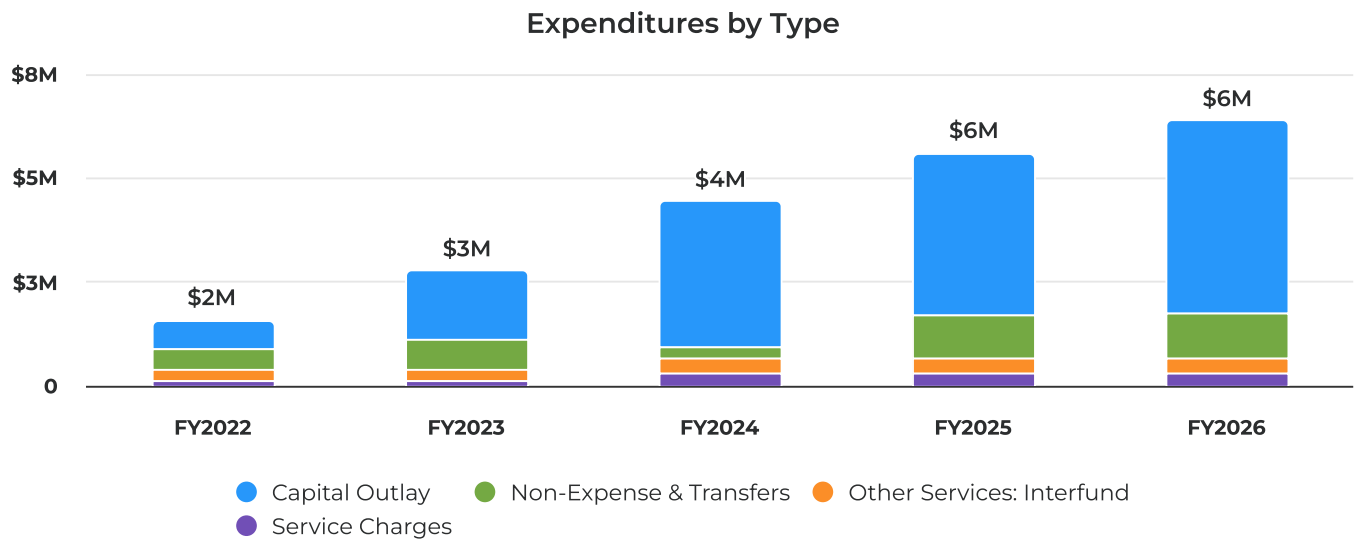
Systemic Signalized Intersection & Pedestrian Safety (STR-177RR) $949K
Location: Washington St and Sequim Ave, 3rd Ave, 5th Ave
7th Ave and Spruce St, Fir St, Hendrickson Rd, midblock between Fir St & Hendrickson Rd
Hendrickson Rd midblock at Sequim Middle School, and between 5th Ave & 7th Ave
3rd Ave and Bell St, Maple St, Cedar St, Spruce St, Alder St
Project: Install signal upgrades including flashing yellow arrows signal phasing, leading pedestrian intervals, and black-out no right turn on red signals at Washington St and Sequim Ave, 3rd Ave, & 5th Ave. Install high visibility crosswalk markings, signing, and rectangular rapid flashing beacons at 11 locations.
Benefit: Improves pedestrian safety and maximizes capacity and function of signalized intersections. Signal equipment has reached the end of its service life.
Funding Note: This project is partially funded by a grant

E Washington St Multimodal Transportation Expansion (STR-179CU) $435K
Location: E Washington St, Blake Ave to Simdars Rd
Project: Feasibility and design of sidewalk and multiuse trail
Benefit: Improves pedestrian mobility, corrects Americans with Disabilities Act (ADA) and safety deficiencies, improves connectivity of the Olympic Discovery Trail.
Funding Note: This project is partially funded by a grant.

City-wide Pavement Rehabilitation, neighborhood and local streets (STR-041RR) $309K
Location: To be determined
Project: Annual program for repair, overlay, or reconstruction of pavement of neighborhood and local City streets
Benefit: Maintains the City's street systems through pavement preservation.

City Wide Pedestrian/Bike Improvements (STR-072CU) $155K
Location: To be determined
Project: Annual program for construction of pedestrian and bicycle projects throughout the City.
Benefit: Improves pedestrian and bicycle facilities for users of all ages and abilities throughout the city.

Streets Restricted Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$490,000	$697,468	$260,000	$1,060,000	$1,086,000	$26,000	2.45%
Service Charges	$100,609	$110,382	$285,091	$291,748	$296,748	$5,000	1.71%
Capital Outlay	$713,117	$1,673,484	$3,496,518	$3,887,000	$4,646,000	$759,000	19.53%
Other Services: Interfund	$273,429	$276,812	$391,552	$349,000	$349,000	-	0.00%
Total Expenditures	**$1,577,154**	**$2,758,146**	**$4,433,161**	**$5,587,748**	**$6,377,748**	**$790,000**	**14.14%**

Stormwater Restricted

Description

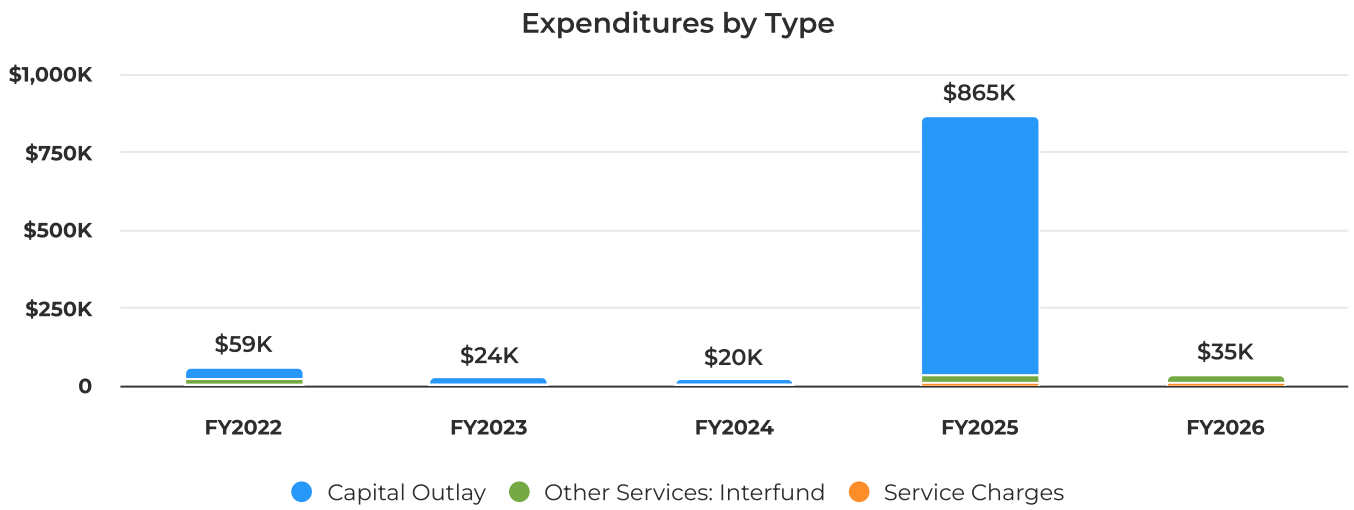
The Stormwater Restricted Fund was established in 2014 for the development of the first Stormwater Master Plan, adopted in 2016, which identifies capital projects and operations to control and/or treat stormwater within the City.

Revenues from the Water and Sewer Utility funds cover the costs of capital projects; this is justifiable since effective stormwater management can benefit the City's water supply, water quality, and sewer system. Grants are sometimes obtained to offset City costs.

Key Goals

No major projects will be completed for stormwater in 2026.

Stormwater Restricted Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Service Charges	$5,171	$1,422	$1,017	$11,295	$11,295	-	0.00%
Capital Outlay	$38,592	$19,430	$16,689	$830,000	-	-	-
Other Services: Interfund	$14,766	$3,571	$1,803	$24,000	$24,000	-	0.00%
Total Expenditures	**$58,528**	**$24,423**	**$19,509**	**$865,295**	**$35,295**	**-$830,000**	**-95.92%**

Parks Restricted

Description

This Special Revenue Fund was established in 2005. The expenditures are restricted to park capital projects, maintenance and the acquisition of future equipment, park lands and open space. This fund has expanded to include other special revenues, such as "in lieu/impact fees", and a portion of money received by the City for the abandonment of public rights of way. Sub-funds are used to track large park projects.

Key Goals

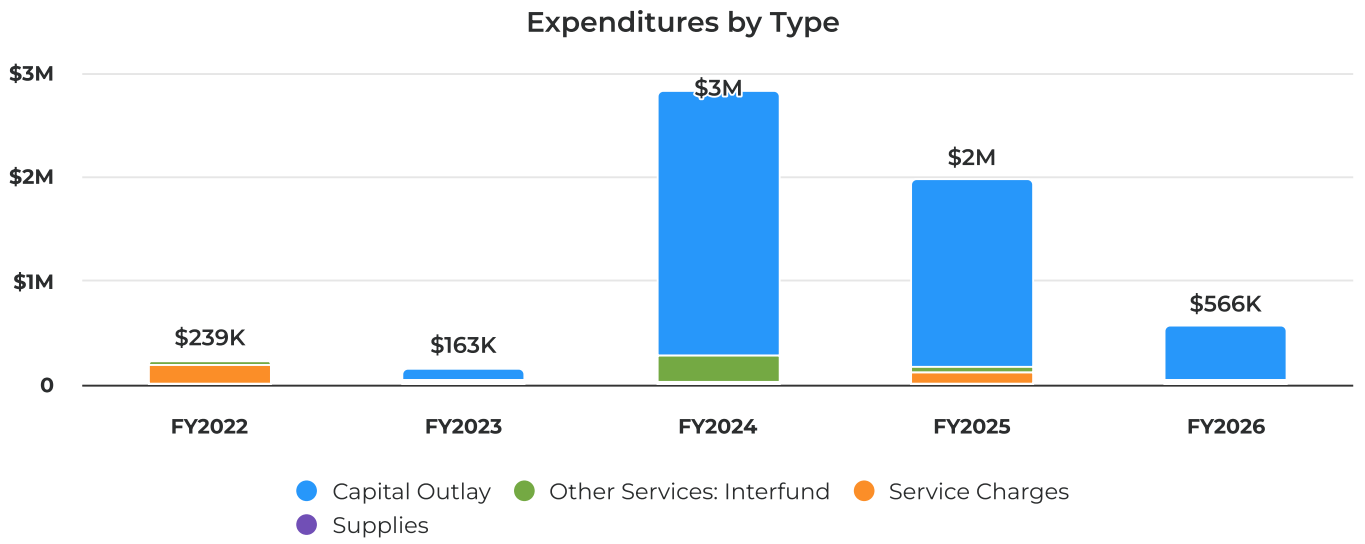
McCord Park Master Plan (PRK-183PL) $77K (multiyear project, $157K)
Location: McCord Park, 764 W Hendrickson Rd
Project: Develop a master plan for the 16.6 acre McCord Park which was acquired in 2024.
Benefit: Provides a clear plan for the development of the park resources.

Playground Equipment Upgrade - Margaret Kirner Park (PRK-054NC) $410K (multiyear project, $2M)
Location: Margaret Kirner Park, S 4th Ave
Project: Design and construction of an inclusive playground and improved amenities at Margaret Kirner Park. The playground equipment will be a universally accessible inclusive design with Americans with Disabilities Act (ADA) compliant fall surfaces. Accessible asphalt walking loop, parking improvements with accessible parking spaces, construction of sidewalk along the parking area, park entry gate, and an upgraded restroom will be included.
Benefit: Provides a safe and accessible playground that serve a diverse population. The playground equipment has reached the end of its service life; current fall surface and bathroom are not ADA compliant.
Funding Note: This project is partially funded by a grant.

Gerhardt House Roof Replacement $25k
Project: Replacement of the complete roof on the entire structure with new composite roofing.
Benefit: The current roof has reached the end of its useful life.

Picnic Shelter Roof Replacement $8,500
Project: Picnic Shelter Roof Replacement $8,500.
Benefit: The roof is original to the structure and has reached the end of its useful life.

Parks Restricted Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Supplies	$12,191	$7,129	$6,682	$15,600	$15,600	-	0.00%
Service Charges	$185,837	$21,532	$20,172	$104,703	$4,703	-$100,000	-95.51%
Capital Outlay	$10,876	$119,813	$2,558,323	$1,800,000	$520,500	-$1,279,500	-71.08%
Other Services: Interfund	$29,662	$14,158	$244,906	$55,000	$25,000	-$30,000	-54.55%
Total Expenditures	**$238,566**	**$162,633**	**$2,830,083**	**$1,975,303**	**$565,803**	**-$1,409,500**	**-71.36%**

Capital Facilities Fund

Description

This Fund was created for the purpose of paying and tracking the costs associated with Facility Capital projects.

Key Goals

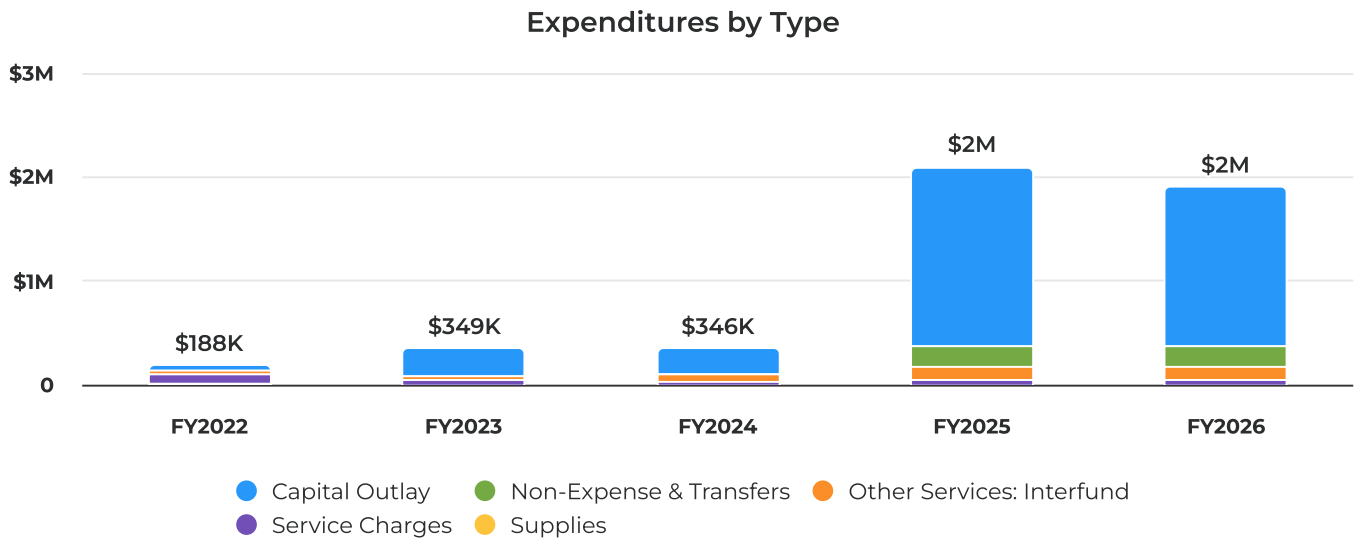
City Fuel Station (CLF-013NC) $844K (multiyear project, $1.5M)
Location: 169 W. Hemlock St.
Project: Facility development of a City owned fuel station on the undeveloped property between the shop and S 3rd Ave. The station will include gasoline and diesel above ground tanks that the City will be primary user of for daily fueling and emergency situations.
Benefit: Improves City fuel costs as well as provides fuel storage and reserves during emergency events where fuel shortages may be experienced due to regional isolation.
Funding Notes: This project is partially funded by a grant.

City Shop Covered Storage (CLF-182NC) $412K (multiyear project $730K)
Location: 169 W. Hemlock St.
Project: Expansion and facility development of the existing shop area and City owned undeveloped area between the shop and S 3rd Ave. Improvements include covered vehicle and equipment storage and creation of designated areas for material stockpiles.
Benefit: Improves City's maintenance operations by providing a consolidated, adequate, and safe environment for personnel; adequate work and storage space for equipment and materials for more cost-effective stewardship of public funds.

Bandshell Roof Replacement $55K
Project: Replacement of the southwest and northeast roof structures with new composite roofing.
Benefit: These sections of the roof are part of the original construction and have reached the end of their useful life.

Guy Cole/Bathroom/Mower Shed Paint $12k
Project: Painting of multiple park buildings $12k
Benefit: The Guy Cole Convention Center, parks tool and equipment storage building, and bathrooms near the playground are all in need of exterior resealing and paint.

Capital Facilities Fund Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	-	-	$3,087	$200,000	$200,000	-	0.00%
Supplies	$204	-	-	-	-	-	-
Service Charges	$98,940	$40,099	$29,880	$45,000	$45,000	-	0.00%
Capital Outlay	$52,627	$274,851	$238,481	$1,719,000	$1,530,000	-$189,000	-10.99%
Other Services: Interfund	$36,349	$34,099	$74,326	$125,000	$125,000	-	0.00%
Total Expenditures	**$188,121**	**$349,050**	**$345,774**	**$2,089,000**	**$1,900,000**	**-$189,000**	**-9.05%**

Water Restricted

Description

The Water Restricted Fund is comprised of several sub-funds. These funds are restricted by state and/or federal regulations, agreements or restrictions created by City Council. General Facility Charges (GFCs) are assessed for new connections to the system and are used for new construction and improvements to the system. Revenues from rates are transferred to the Water Restricted Fund to cover the cost of repairing and/or replacing infrastructure and equipment. Revenues from rates are also transferred into this fund to cover debt service.

Key Goals

West Sequim Bay Corridor Improvements (PWP-WTR-111CU) $469 (multiyear project, $1.2M)
Location: Independence Dr to Junco Rd and Washington Harbor Loop (water)
Project: Expansion and looping of water service eastward on W Sequim Bay Rd with construction of 2,330 LF of 12 in. water pipe from Independence Dr to Junco Rd, and 1,000 LF of 12 in. water main to connect Washington Harbor Loop, along with necessary pavement rehabilitation.
Benefit: Provides connection capacity to anticipated residential developments & John Wayne Marina. Supports developer driven project to expand the Pacific Northwest National Labratory (PNNL) site.

Silberhorn Deep Well No. 4 Construction (WTR-040CU) $1.84M (multiyear project, $4.83M)
Location: Silberhorn Wellfield, W Silberhorn Rd to S River Rd
Project: Construction of a new municipal water supply well and Motor Control Center at existing Silberhorn Wellfield including transmission pipelines to connect new facilities to existing water distribution system.
Benefit: Increases the ability to supply instantaneous water and meet forecast water demands through the 20-year horizon of the Sequim Water System Plan.

Flaura's Acres Waterline (PWP-WTR-172RR) $2.75M
Location: Blair Ave, Belfield Ave, and Still St
Project: Design and construction of water distribution system improvements and connection of the water system to City infrastructure.
Benefit: Provide reliable, safe drinking water to area.
Funding Note: This project is funded by a grant.

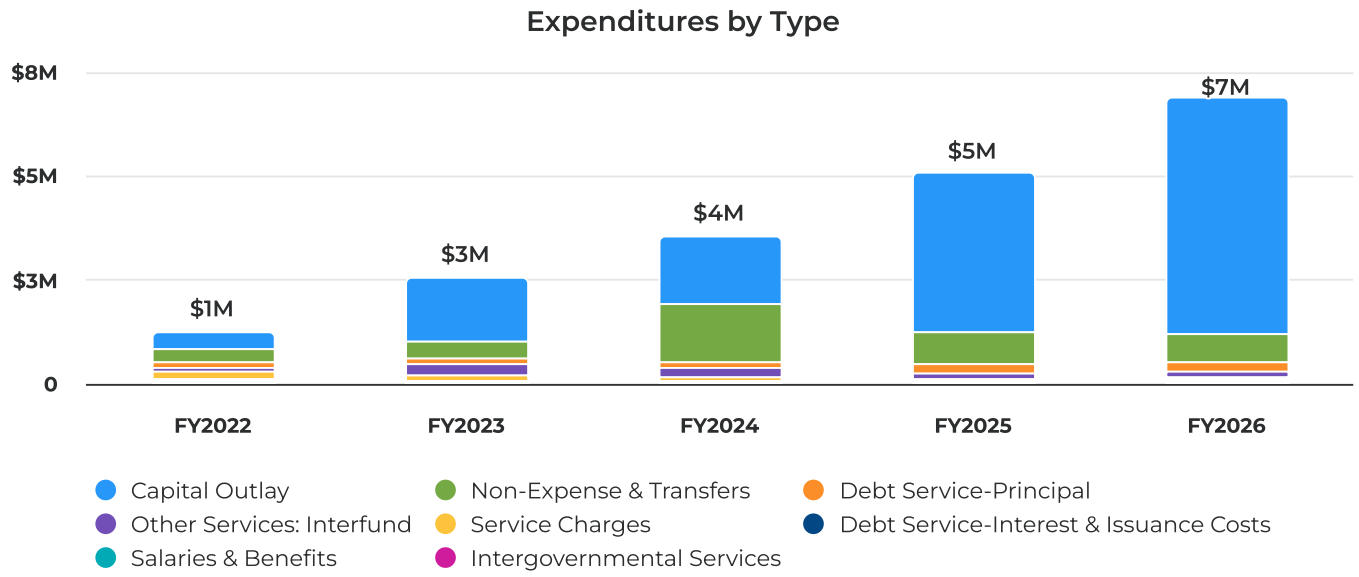
Water Main Installation, Lofgren Rd to Keeler Rd (WTR-014NC) $225K (multiyear project, $2.3M)
Location: Lofgren Rd to Keeler Rd
Project: This project will complete the loop needed to serve potential new development in the eastern portion of the water system. This project is contingent on development in this area and will be a developer-funded extension. Construction will include installation of about 1,350 LF of 12-inch diameter PVC water main piping east along Washington Harbor Loop from Lofgren Road to Keeler Road, connecting to an existing main along Washington Harbor Loop owned by the Sequim Bay Resort and Marina Water System.
Benefit: Provide reliable, safe drinking water to development.
Funding Note: This project is funded by Developer contribution.

AC/Galv Iron Main Replacement (WTR-027CU) $220K
Location: To be determined
Project: Annual program for replacement of undersized or failing Asbestos Concrete (AC) and galvanized iron (Galv Iron) water mains throughout the distribution system with piping of sufficient diameter to meet future demands, using state-of-the-art materials and construction techniques.
Benefit: Increases service reliability, reduces maintenance and emergency repair costs.

Conditional Assessment of Ranney Well Water Line (WTR-186RR) $155K
Location: Dungeness River to Reservoir Rd reservoirs
Project: Assessment of the 3-miles of 12" water main from Ranney Well (infiltration gallery) beginning near the Dungeness River and ending at the Reservoir Road Reservoirs to determine the pipe condition and repair/replacement strategy.
Benefit: Determine the risk of failure of the Ranney Well water line and anticipated remaining life.

Service Body Truck $55k
Project: The water division utilizes pickup trucks to perform maintenance, repairs, and daily work throughout the water distribution system. The need has increased to carry more parts, tools, and equipment to perform the scheduled and unscheduled emergency repairs. The standard pickups cannot carry the increased payload.
Benefit: This purchase will be for a larger, used service truck with the ability to carry all the tools and equipment needed to make necessary repairs in the field.

Water Restricted Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$318,575	$409,500	$1,403,045	$792,500	$660,000	-$132,500	-16.72%
Salaries & Benefits	$36,568	$7,320	$18,526	-	$40,002	-	-
Service Charges	$182,987	$152,985	$104,096	$40,365	$40,365	-	0.00%
Intergovernmental Services	$11,054	$4,127	$4,239	$11,000	$11,000	-	0.00%
Capital Outlay	$414,311	$1,531,842	$1,630,285	$3,820,000	$5,693,000	$1,873,000	49.03%
Debt Service-Principal	$146,331	$148,831	$151,331	$233,830	$256,330	$22,500	9.62%
Debt Service-Interest & Issuance Costs	$55,161	$52,173	$50,256	$70,734	$80,433	$9,699	13.71%
Other Services: Interfund	$95,609	$251,809	$189,960	$114,000	$114,000	-	0.00%
Total Expenditures	**$1,260,597**	**$2,558,587**	**$3,551,738**	**$5,082,429**	**$6,895,130**	**$1,812,701**	**35.67%**

Sewer Restricted

Description

The Sewer Restricted Fund is comprised of several sub-funds. These funds are restricted by state and/or federal regulations, agreements or restrictions created by City Council. General Facility Charges (GFCs) are assessed for new connections to the system and can be used for new construction and improvements to the system. Revenues from rates are transferred from the Operating budget to cover the cost of replacing or repairing the infrastructure and equipment. Revenues from rates are also transferred into this fund to cover debt service.

Key Goals

West Sequim Bay Corridor Improvements (PWP-SRR-111CU) $1.74M (multiyear project, $15.0M)
Location: W Sequim Bay Rd from Washington Harbor Rd to Forrest Rd
Project: Expansion of sewer service eastward on W Sequim Bay Rd with construction of 5,100 LF of 8 in. gravity sewer line, 5,100 LF of 8 in. sewer force main from Forrest Rd to Independence Dr, 1,800 LF of 12 in. gravity sewer line from Washington Harbor Rd to Independence Dr, and a 900-gpm lift station at Forrest Rd.
Benefit: Provides connection capacity to anticipated residential developments, Pacific Northwest National Laboratory (PNNL) & John Wayne Marina. Supports developer driven project to expand the PNNL site. Reduces on-site septic systems in critical areas, supports zoned density.
Funding Note: This project is funded by a grant/loan.

Doe Run Lift Station Rehabilitation and Replacement (SRR-003RR) $309K (multiyear project $1.2M)
Location: 2226 Doe Run Rd.
Project: Rehabilitation of existing wet well, replacement of existing lift station with package lift station equipped with two 100 gpm, 25 hp non-clog centrifugal pumps, and installation of flow meter and vault, automatic transfer switch and other electrical upgrades, electrical panel shelter and pole lighting and permanent backup power. Services south/southwest areas of Bell Hill (Highland Hills development) and pumps to gravity sewer on Fox Hollow Rd.
Benefit: This project reduces the risk of failure of lift station equipment at the end of its service life. It maintains wastewater services to protect water quality at headwaters of Bell Creek. It also improves safety at Lift Station and reduces operations and maintenance (O&M) costs with additional automatic controls.

Flaura's Acres – Sewer (PWP-SRR-172NC) $2.58M
Location: Blair Ave, Belfield Ave, and Still St
Project: Replace the existing septic collection system in the Flaura's Acres development and connect it to the City's wastewater system.
Benefit: This project will protect nearby Bell Creek and Sequim Bay by eliminating the current drainfield which services the Flaura's Acres development. It will also protect area groundwater by eliminating severely eroded or broken collection system pipes.
Funding Note: This project is funded by grant/loan.

General Sewer Plan Update (SRR-041PL) $206K (multiyear project, $430k)
Location: NA
Project: Update of the General Sewer Plan (GSP) which provides a long-term planning strategy for the City's sewer utility for the 6-year and 20-year planning periods to meet the requirements of the Washington Administrative Code (WAC) 173-240-050.
Benefit: Provides an update to the current General Sewer Plan adopted in 2013. Following adoption of the 2026 plan, an update will not be necessary until 2036.

City-wide Inflow and Infiltration Reduction (SRR-082RR) $258K
Location: To be determined
Project: Assessment of City Wide program for sewer collection inflow and infiltration (I/I) to determine the impact of I&I

entering into the collection system during periods of high groundwater and during storm events.
Benefit: Determine the risk of backups and overflows in the collection system and at the Water Reclamation Facility (WRF) which can cause structural instability of sewer pipes and reduction of pipe capacity for conveying sewer flow. Evaluate the cost/benefits of removing I&I vs allowing it to continue.

Sewer - Camera Canopy Doors for Razor $8k
Project: Purchase of equipment canopy and side doors for Utility Terrain Vehicle (UTV) $8k. The Sewer division uses a UTV to inspect and maintain manholes and pipes located outside the right of way and in remote areas.
Benefit: Side doors and bed canopy will safely protect expensive inspection cameras and other tools during transport.

WRF Ultraviolet Light Bank $400k
Project: Ultraviolet Light Banks (2) $400k. The Water Reclamation Facility (WRF) utilizes ultraviolet light (UV) as the final stage of disinfection for reclaimed water.
Benefit: The current UV lights have reached the end of their usable life and require constant maintenance and repairs. Replacement of both banks is required for operational purposes.

WRF Mixers $50k
Project: Replacement of (2) Mixer Pumps $50k. The Water Reclamation Facility (WRF) utilizes (8) mixing pumps in the aeration basins.
Benefit: The existing pumps have been rebuilt multiple times and are at their end of service life. Complete replacement will be spread over the next four years by replacing (2) of the worst condition pumps per year.

Video Jetting Nozzle $20k
Project: Purchase of Video Jetting Nozzle $20k. One of the primary duties of the vacuum/jetting trucks is to clean and clear obstructions of sewer pipes. A nozzle with video capability will allow operators to view the inside of the pipe as they are performing the jetting task in real time.
Benefit: This will save unnecessary wear and tear on both the pipes and the equipment by giving the operators the ability to immediately react to the changing conditions inside the pipe and ensure a thorough cleaning.

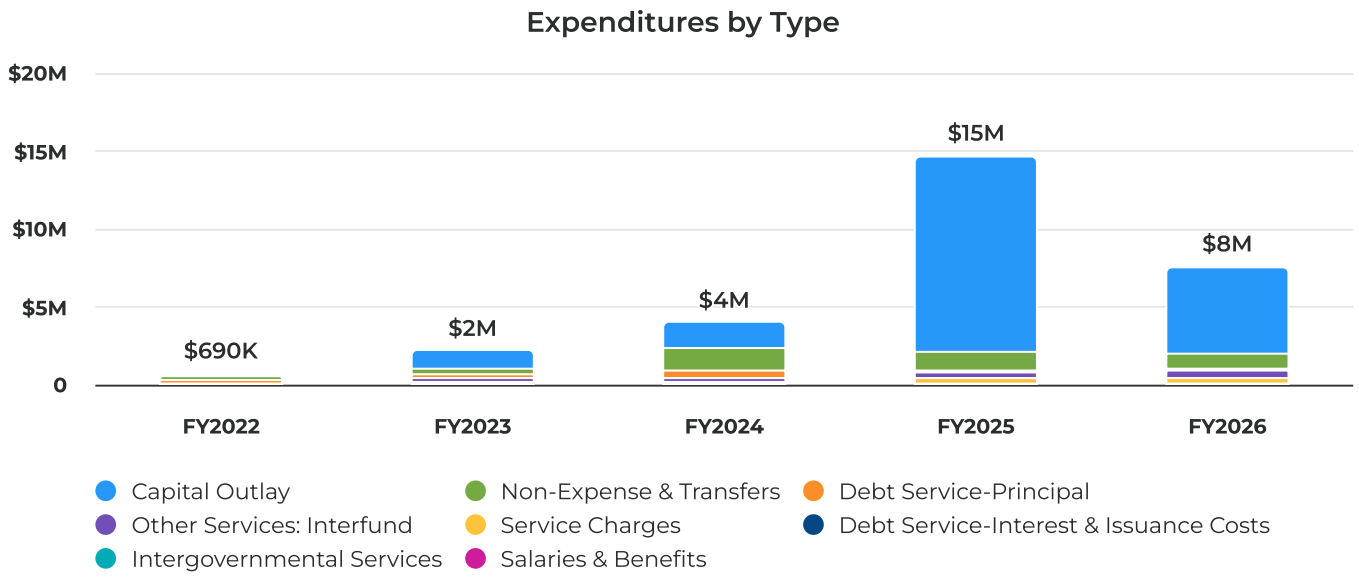
WRF Forklift $15k
Project: Purchase of a Used Forklift $15k. The Water Reclamation Facility (WRF) currently uses an older track loader to perform the general tasks of moving, loading, and unloading of equipment and materials.
Benefit: Maneuverability and equipment limitations have increased the need for an actual forklift. This purchase would be for a used forklift.

North End Mower Shed $10k
Project: Purchase of a storage shed $10k. The current structures at the North End sewer pump station have very little storage for tools and grounds equipment.
Benefit: The addition of a new storage shed will allow for storage of tools, equipment, and parts to be used for maintaining the pump station and surrounding property.

Wet Well Vault Lid $10k
Project: Purchase of a replacement vault lid $10k: The main wet well at the North End sewer pump station has insufficient access.
Benefit: A larger sized lid will provide a safer way to access the well for cleaning and maintenance.

Tripod $8k
Project: Purchase of a truck-mounted tripod and retraction system $8k. Necessary safety tripod and retraction system for entering manholes and wet wells.
Benefit: This will be a truck mounted system to speed up field inspection services.

Sewer Restricted Expenditures



Expenditures by Type

Category	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Adopted	FY 2026 Requested	FY 2025 Adopted vs. FY 2026 Requested ($ Change)	FY 2025 Adopted vs. FY 2026 Requested (% Change)
Non-Expense & Transfers	$317,500	$409,500	$1,367,612	$1,157,500	$910,000	-$247,500	-21.38%
Salaries & Benefits	-	-	-	-	$40,002	-	-
Service Charges	$12,598	$134,201	$113,343	$315,718	$315,718	-	0.00%
Intergovernmental Services	$9,232	$5,207	$5,996	$17,200	$17,200	-	0.00%
Capital Outlay	$88,765	$1,162,302	$1,709,654	$12,585,237	$5,613,198	-$6,972,039	-55.40%
Debt Service-Principal	$167,619	$169,512	$568,758	$190,061	$203,797	$13,736	7.23%
Debt Service-Interest & Issuance Costs	$76,585	$60,294	$55,049	$47,289	$46,509	-$780	-1.65%
Other Services: Interfund	$17,928	$235,867	$207,020	$375,000	$433,000	$58,000	15.47%
Total Expenditures	**$690,226**	**$2,176,884**	**$4,027,431**	**$14,688,005**	**$7,579,424**	**-$7,108,581**	**-48.40%**

CAPITAL IMPROVEMENTS

2026 Capital Projects

Reference	Project	2026 Project cost	Funding Source
MULTIPLE DIVISION PROJECTS			
PWP-172NC	Flaura's Acres	6,305,198	Grant / Loan
PWP-111CU	W Sequim Bay Corridor Improvements	2,208,000	Grant / Loan / Developer
MULTIPLE DIVISION PROJECTS TOTAL		**8,513,198**	
FACILITIES			
CFL-013NC	City Fuel Station	844,000	Grant / GF / REET / Safety Tax / Water / Sewer
CFL-182NC	City Shop Covered Storage	412,000	Reet
FACILITIES TOTAL		**1,256,000**	
PARKS			
PRK-054NC	Playground Equipment Upgrade - Margaret Kirner	410,000	Park Impact Fees / Grant
PRK-183PL	McCord Park Master Plan	77,000	General Fund
PARKS TOTAL		**487,000**	
SEWER			
	Emergency	200,000	
SRR-003CU	Doe Run Lift Station Rehabilitation & Replacement	309,000	GFC
SRR-082RR	City-wide Inflow and Infiltration Reduction	258,000	Sewer
SRR-041PL	City Wide Sewer Plan Update	206,000	GFC
SEWER TOTAL		**973,000**	
STREETS			
STR-177RR	Systemic Signalized Intersection & Pedestrian Safety	949,000	Grant
STR-104RR	N 3rd Ave Complete Streets	984,000	Grant
STR-146CU	Keeler Rd Multiuse Path, W Sequim Bay Rd & ODT	546,000	Grant / TBD
STR-179CU	E Washington St Multimodal Transportation Expansion Study	435,000	Grant
STR-087RR	Johnson Creek Crossing repair	300,000	Grant
STR-041RR	City wide Pavement Rehabilitation, Neighborhood & Local	309,000	TBD
STR-072CU	City wide Pedestrian/Bike Improvements	155,000	TBD
STREETS TOTAL		**3,678,000**	
WATER			
WTR-040CU	Silberhorn Deep Well No. 4 Construction	1,844,000	Loan
WTR-186RR	Water line on Silberhorn Rd from River Rd to 7th Ave	155,000	Water
WTR-014NC	Water Main Installation, Lofgren Rd to Keeler Rd	225,000	Water
WTR-027CU	AC/Galv Iron Main Replacement	220,000	Water
WATER TOTAL		**2,444,000**	
Grand Total		**17,351,198**	

Information about our 6-year Capital Improvement Plan (CIP) is provided in this linked document: 2026-2031 CIP

DEBT

Municipal Debt: Capacity and Type of Debt



General Obligation Debt[1]

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

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



2026 Debt Summary

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

2026 Budget

$10.68ml in LTGO debt was issued in August 2013 for the Civic Center project with total debt service in 2026 of $617k

- A total of $625k is being transferred into this fund to service the debt.
- $200k from the General Fund, $325k from the Public Safety Tax, and $100k from REET

2026 Utility Debt payments continue as in prior years and are funded by Utility Rates and regional contracts. 2026 begins the year with the following outstanding debt:

- Water and sewer revenue bonds totaling approximately $1.690m to fund the utility portion of the Civic Center project, and related debt service of $115k per utility
- State Revolving Funds - $4.939ml in outstanding principal
- Public Works Trust Fund - $116k 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 approximated $660k annually. In 2023 the City called approximately $800k in outstanding bonds decreasing the annual debt service to $617k and shortening the maturity by one year to 2042.

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

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.

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 4 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: $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.

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

The City has received reimbursements for sewer construction and improvements on West Fir Street in the form of a $420k, 20-year loan, at 1.4%. $67k is forgivable principal. Annual payment amounts are $20k and paid for with sewer revenues.

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.

2023 WA State Public Works Board – Silberhorn Deep Well

The City is expected to receive reimbursement for the construction of a new supply production well in the form of a $4.830ml, 20-year loan, at 1.39%. Annual payment amounts are expected to be approximately $275k and paid for with water revenues.

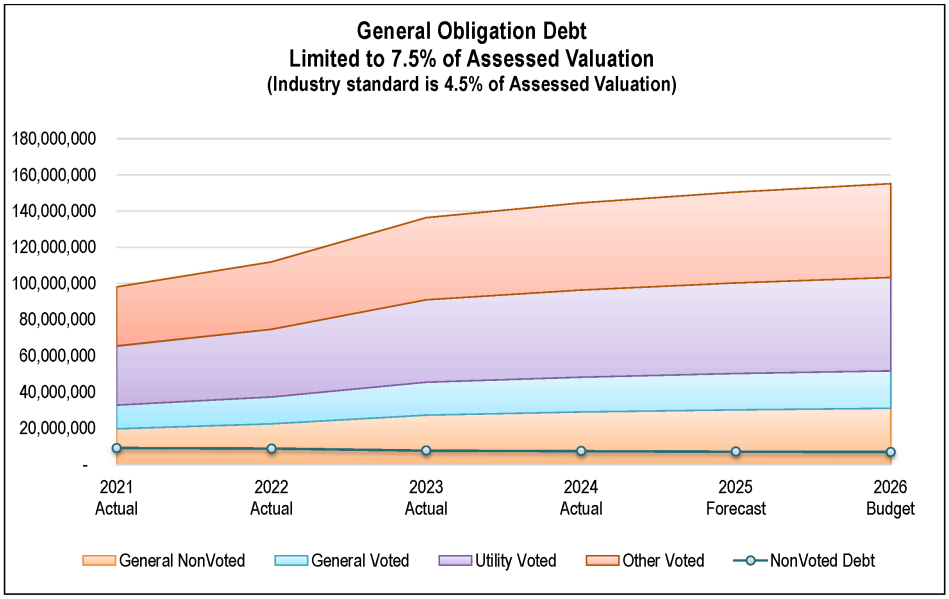
The amount of outstanding principal reflected on the next schedule is consistent with the CIP's prediction of progress on this project and is only an estimation.

2023 WA State Revolving Fund Loan – West Sequim Bay Sewer Loan

The City is expected to receive reimbursement for the construction of a sewer lift station in the form of a $2.053ml, 20-year loan, at 1.2%. $1.026ml is forgivable. Annual payment amounts are expected to be approximately $60k and paid for with sewer revenues.

The amount of outstanding principal reflected on the next schedule is consistent with the CIP's prediction of progress on this project and is only an estimation.

General Obligation Debt Capacity



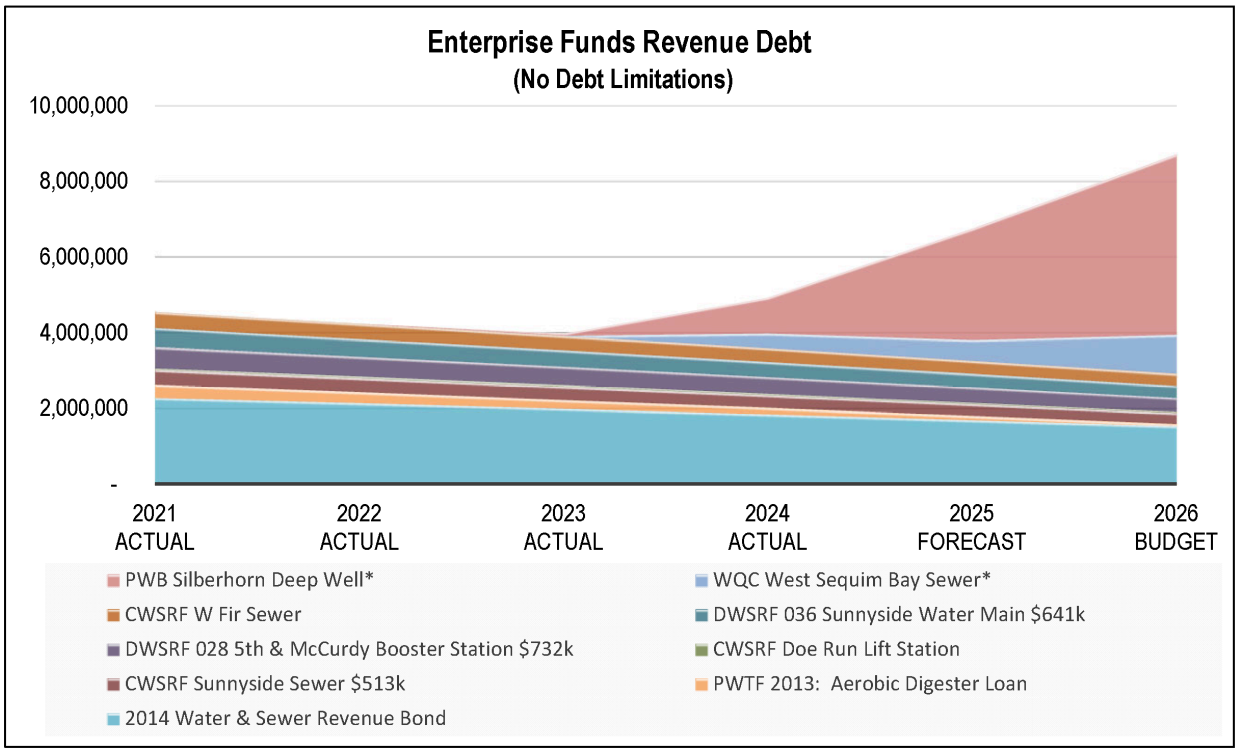
Debt Capacity

Based on Prior Year Assessed Value

Amount at End of Year	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Forecast	2026 Budget
Prior Year Assessed Property Value	1,308,100,815	1,493,196,143	1,820,099,782	1,928,481,949	2,008,070,363	2,068,312,474 estimated
General Oblication Debt Capicity (up to 7.5%)						
General Purpose Debt Limit (2.5%)						
NonVoted Debt Limit 1.5% (councilmanic)	19,621,512	22,397,942	27,301,497	28,927,229	30,121,055	31,024,687
Voted Debt Limit 1.0%	13,081,008	14,931,961	18,200,998	19,284,819	20,080,704	20,683,125
Debt Limit 2.5%	**32,702,520**	**37,329,904**	**45,502,495**	**48,212,049**	**50,201,759**	**51,707,812**
Utility Purpose Debt Limit (2.5%)						
Voted Debt Limit 2.5%	32,702,520	37,329,904	45,502,495	48,212,049	50,201,759	51,707,812
Open Space, Park & Capital Facilities Debt Limit (2.5%)						
Voted Debt Limit 2.5%	32,702,520	37,329,904	45,502,495	48,212,049	50,201,759	51,707,812
Total General Obligation Debt Capacity	**98,107,561**	**111,989,711**	**136,507,484**	**144,636,146**	**150,605,277**	**155,123,436**
NonVoted General Obligation Debt Outstanding						
City Hall/Police Facility LTGO	9,020,000	8,760,000	7,640,000	7,360,000	7,070,000	6,770,000
NonVoted GO Debt Outstanding	**9,020,000**	**8,760,000**	**7,640,000**	**7,360,000**	**7,070,000**	**6,770,000**
NonVoted Debt Capacity	10,601,512	13,637,942	19,661,497	21,567,229	23,051,055	24,254,687
Voted Debt Capacity	78,486,049	89,591,769	109,205,987	115,708,917	120,484,222	124,098,748
Available GO Debt Capacity	**89,087,561**	**103,229,711**	**128,867,484**	**137,276,146**	**143,535,277**	**148,353,436**

Industry Bond Rating Standard							
GO Debt as % of Assessed Value		**0.69%**	**0.59%**	**0.42%**	**0.38%**	**0.35%**	**0.33%**
Industry Standard not to exceed	4.5%	60,255,689	67,193,826	81,904,490	86,781,688	90,363,166	93,074,061
GO Debt per Capita		1,114	1,066	915	876	841	789
Population		8,125	8,215	8,350	8,405	8,410	8,578 Estimated

Enterprise Funds Revenue Debt



Revenue Debt Outstanding (excluded from General Purpose Debt limits)

Amount Outstanding at End of Year

	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Forecast	2026 Budget
PWTF 2013: Aerobic Digester Loan	346,667	288,889	231,111	173,334	115,556	57,778
2014 Water & Sewer Revenue Bond	2,280,000	2,140,000	1,995,000	1,845,000	1,690,000	1,530,000
CWSRF W Fir Sewer	419,384	399,291	380,248	360,936	341,353	321,493
PWB Silberhorn Deep Well*			61,123	936,817	2,936,817	4,770,000
WQC West Sequim Bay Sewer*				394,253	550,005	1,027,000
CWSRF Sunnyside Sewer $513k	392,466	372,719	352,592	332,081	311,175	289,870
CWSRF Doe Run Lift Station	40,528	42,331	40,463	38,559	36,619	34,642
DWSRF 028 5th & McCurdy Booster Station $732k	563,762	523,493	483,224	442,956	402,687	362,418
DWSRF 036 Sunnyside Water Main $641k	504,869	468,807	432,745	396,683	360,621	324,559
	4,547,676	**4,235,530**	**3,976,506**	**4,920,619**	**6,744,833**	**8,717,759**

* Estimated for 2025 and 2026

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

PERSONNEL

Personnel Summary

FTE Summary:

The planned full-time equivalency (FTE) employee headcount for 2026 is 101.60, which increased by a net of 1.08 FTE over the 2025 Budget. Aside from staff reallocation from one department to another, this count includes staffing adjustment as follows:

- Removed .38 *Temporary* FTE for Retirement Cross-over/Shadowing: The position eliminated was the Public Works Continuity Advisor (for the Simdars Exchange Project).
- Removed .2 FTE for an Executive Assistant that went from full-time to part-time.
- Added .66 FTE for 2 Public Works Seasonal Employees: These two seasonal employees will support the Street Operations department in the summer and early fall with right-of-way maintenance, city-wide weed control, tree trimming and mowing. This allows our more veteran staff the breathing room to address more complicated and complex activities like addressing ADA hazards city-wide, street striping, crack sealing, dig outs for road repairs and thermoplastic crosswalk installations.
- Added 1 FTE for the Public Works Asset Analyst: This position is needed to further develop and implement the city's asset management decisions, creating and enhancing a system to provide for data-driven decisions. This work was originally part of the Fleet and Facilities Manager responsibilities. However, the quantity of the workloads makes it prudent to split these tasks out into a separate position.

In 2026, employee salary costs are estimated at $9.6ml and benefits at $3.6ml. This represents a 7% increase in wages and a 0.1% decrease in benefit costs. The decrease is primarily due to a reduction in our PERS contribution rates (one of our more costly benefit expenditures) of 30%. These figures are prior to deductions for services charged out to other departments and funds.

Salary and Wages

Non-Uniformed Bargaining Unit

This unit currently represents 46.56 employees. Total compensation for this group is budgeted to be $5.1ml for 2026. The current Collective Bargaining Agreement for this group is from January 1, 2026 to December 31, 2027.

Police Sergeants Bargaining Unit

Five employees are represented by this unit. In 2026, total compensation for this group is budgeted at $893k. The current Collective Bargaining Agreement for this group is from January 1, 2024 to December 31, 2026.

Police Officer Bargaining Unit

Fifteen employees are represented by this unit. Total compensation in 2026 for the group is budgeted at $2.2ml. The current Collective Bargaining Agreement for this group is also from January 1, 2024 to December 31, 2026.

Non-Represented Staff

The full-time employee equivalent count for this non-union group of employees is 31.8. Total compensation in 2026 is budgeted at $5.0ml. This group's salary range chart has been updated for 2026, to reflect a 3.0% COLA increase, as required by City policy.

Other wages, salaries, benefits

This category includes wages for seasonal, temporary and/or limited part-time positions. The total FTE representation in this category is 3.24 FTE. Total compensation is budgeted at $35k in 2026.

Benefits

Health Benefits

We provide two health benefit programs (medical, dental, vision, disability, life insurance) for our employees; one through Washington Teamsters Welfare Trust (for employees part of a bargaining unit) and one through the Association of Washington Cities (for non-represented employees). The City pays 87.5% of the cost for all plans. Health insurance comprises the largest component of these costs. Although final rates will not be announced until later this year, we estimate the overall *average* budgeted health benefit will increase about 5% for 2026.

The AWC health insurance plan rules allow up to 25% of non-represented employees to voluntarily end their participation in the City-paid health insurance if they have alternate insurance available through another qualified plan. We currently have four of the seven possible employees taking advantage of this option in 2026. The Welfare Trust plan does not have such an accommodation.

Holidays

The number of approved annual City holidays is 12 with one additional floating holiday.

Retirement Benefits

All regular City positions participate in a defined benefit plan required by the State of Washington that includes an employer and employee contribution. Our uniformed Police employees participate in the LEOFF plan and all other regular employees are covered by the PERS plan. The State legislature sets the contribution rates for both the employer and the employee, which are subject to change based on plan provisions, economic assumptions, and the actuarial experience of the system. PERS rates of 5.58% decreased (from 9.11%) on July 1, 2025. LEOFF rates remained steady at 5.3%. In 2025, one employee was added to PSERS. There will likely be changes made to these rates by the State legislature in 2025. Both PERS and LEOFF contributions will increase or decrease based upon planned salaries/wages.

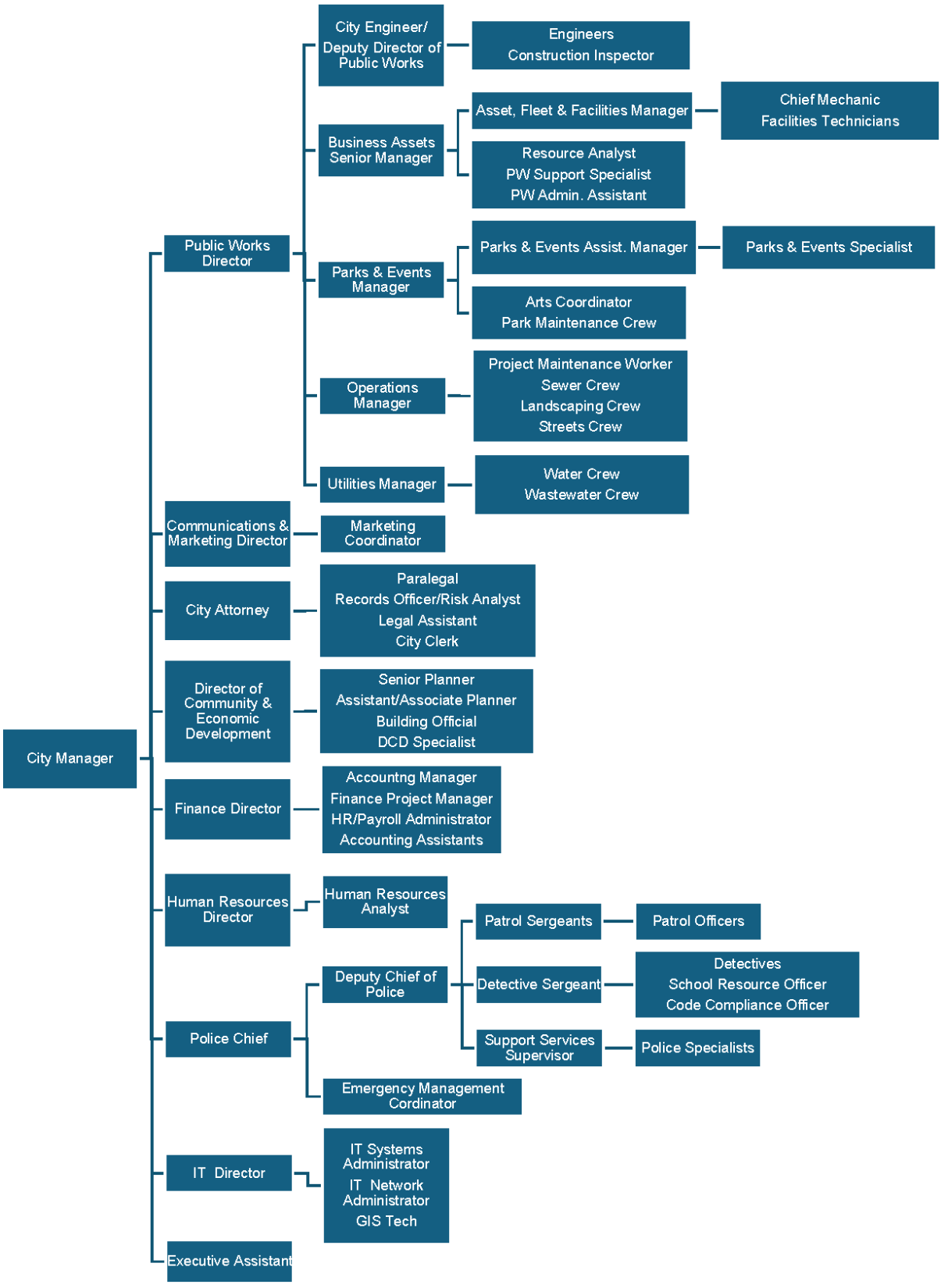
Payroll Taxes

Labor & Industries (L&I) rates reflect the City's history of worker's compensation claims. The City has an all-City safety committee meeting monthly to "increase safety awareness and reduce safety incidents" by recommending improvements and training to management. L&I rates are based on a City's rolling 3-year experience rating as well as the overall cost for Labor & Industries to manage the worker's compensation program. We also partner with the Association of Washington Cities for support and claims management. We estimate the average budgeted L&I rates will increase about 5% in 2026. L&I will publish final rate notices confirming this information in December.

Regarding Washington Paid Family and Medical Leave, employers pay a 0.4% payroll tax. In addition, social security tax continues to be 6.2% and Medicare tax 1.45%.

Personnel Organizational Chart

Current as of July 2025



Salary & Wage Schedule

Division Dept	Union Range	Compensation Schedule by Job Title	FTE budgeted	Minimum	< ---- >	Maximum
		Council	7.00	4,632	< ---- >	7,968
		Non-Represented				
		Exempt / Non-Exempt				
ADM		City Manager	1.00	162,947	< ---- >	223,246
ADM		City Attorney	1.00	148,137	< ---- >	192,587
DCED		Community & Econ Dvlpmt Director	1.00	139,734	< ---- >	181,646
ADM		Finance Director/Treasurer	1.00	139,734	< ---- >	181,646
POL		Chief of Police	1.00	139,734	< ---- >	181,646
PW		Public Works Director	1.00	139,734	< ---- >	181,646
ADM		IT Director	1.00	139,734	< ---- >	181,646
ADM		HR Director	1.00	139,734	< ---- >	181,646
ADM		Comm. & Marketing Director	1.00	139,734	< ---- >	181,646
PW		Deputy PW Director/City Engineer	1.00	129,396	< ---- >	168,210
POL		Deputy Police Chief	1.00	129,396	< ---- >	168,210
PW		PW Operations Manager	1.00	103,272	< ---- >	134,264
PW		Utilities Manager	1.00	103,272	< ---- >	134,264
PW		Business Assets Senior Manager	1.00	103,272	< ---- >	134,264
ADM		Accounting Manager	1.00	95,671	< ---- >	124,300
DCED/PW		Civil Engineer II	2.00	95,671	< ---- >	124,300
PW		Facilities & Fleet Manager	1.00	95,671	< ---- >	124,300
PW		Parks and Events Manager	1.00	95,671	< ---- >	124,300
ADM		Finance Project Manager	1.00	88,545	< ---- >	115,107
POL		Support Services Supervisor	1.00	88,545	< ---- >	115,107
PW		Civil Engineer I	1.00	88,545	< ---- >	115,107
PW		Resource Analyst	1.00	81,972	< ---- >	106,558
ADM		City Clerk	1.00	81,972	< ---- >	106,558
PW		Parks and Events Asst Mngr	1.00	81,972	< ---- >	106,558
PW		Asset Analyst	1.00	81,972	< ---- >	106,558
ADM		HR Analyst	1.00	75,899	< ---- >	98,675
ADM		Paralegal	1.00	75,899	< ---- >	98,675
ADM		Records Officer/Risk Analyst	1.00	75,899	< ---- >	98,675
ADM		HR/Payroll Administrator	1.00	70,262	< ---- >	91,332
ADM		Executive Assistant	0.80	70,262	< ---- >	91,332
ADM		Legal Assistant	1.00	70,262	< ---- >	91,332
		Seasonal, Temporary and/or Limited Part Time				
POL		Emergency Mgmt Coordinator	0.38	31.28/hr	< ---- >	40.66/hr
PW		Arts Coordinator	0.475	31.28/hr	< ---- >	40.66/hr
ADM		Marketing Coordinator	0.475	31.28/hr	< ---- >	40.66/hr
PW		Seasonal Maint. Workers/Intern	1.91	19.95/hr	< ---- >	23.83/hr

Salary & Wage Schedule (cont'd)

Division Dept	Union Range	Compensation Schedule by Job Title	FTE budgeted		< ---- >	Maximum
		Union Represented				
		Non-Uniformed		**Step A**	Effective 1/1/2026	**Step E**
DCED	26	Senior Planner	1.00	88,754	..B..C..D..	105,830
DCED	26	Building Official	1.00	88,754	..B..C..D..	105,830
ADM	25	Senior IT Systems Analyst	-	86,154	..B..C..D..	102,752
PW	23	WRF Lead	1.00	81,224	..B..C..D..	96,845
DCED	23	Associate Planner	1.00	81,224	..B..C..D..	96,845
PW	23	Construction Inspector II (Temp)	1.00	81,224	..B..C..D..	96,845
PW	21	Water Lead	1.00	76,544	..B..C..D..	91,291
ADM	21	Network Administrator	1.00	76,544	..B..C..D..	91,291
PW	21	WRF Operator IV	1.00	76,544	..B..C..D..	91,291
ADM	21	IT Systems Administrator	1.00	76,544	..B..C..D..	91,291
PW	21	Chief Mechanic	1.00	76,544	..B..C..D..	91,291
PW	20	WRF Operator III	-	74,318	..B..C..D..	88,629
PW	20	Construction Inspector I	1.00	74,318	..B..C..D..	88,629
DCED	19	Building Inspector/Plans Examiner II	1.00	72,155	..B..C..D..	86,050
DCED	19	Assistant Planner	-	72,155	..B..C..D..	86,050
PW	19	Maint Worker III (Leads)	2.00	72,155	..B..C..D..	86,050
ADM	19	GIS Tech	1.00	72,155	..B..C..D..	86,050
PW	18	Facilities Maintenance Tech	2.00	70,054	..B..C..D..	83,554
PW	18	Water Operator	4.00	70,054	..B..C..D..	83,554
ADM	18	Accounting Assistant IV (Lead)	1.00	70,054	..B..C..D..	83,554
POL	17	Code Compliance Officer	1.00	68,016	..B..C..D..	81,120
PW	17	Maint Worker III (Non-Leads)	-	68,016	..B..C..D..	81,120
PW	17	WRF Operator II	1.00	68,016	..B..C..D..	81,120
PW	16	Maintenance Project Worker	1.00	66,040	..B..C..D..	78,749
PW	15	Maint Worker II	5.00	64,106	..B..C..D..	76,461
ADM	15	Accounting Assistant III	-	64,106	..B..C..D..	76,461
DCED	14	DCED Specialist	1.00	62,234	..B..C..D..	74,235
PW	14	WRF Operator I	1.00	62,234	..B..C..D..	74,235
ADM	13	Accounting Assistant II	1.00	60,424	..B..C..D..	72,072
PW	13	Parks & Events Specialist	1.00	60,424	..B..C..D..	72,072
PW	13	Eng/Admin Support Specialist II	1.00	60,424	..B..C..D..	72,072
POL	13	Police Specialist	3.00	60,424	..B..C..D..	72,072
PW	11	Maint Worker I	6.00	56,971	..B..C..D..	67,933
ADM	10	Accounting Assistant I	1.00	55,307	..B..C..D..	65,957
PW	9	Maint Worker/Custodian	1.00	53,685	..B..C..D..	64,022
PW	9	Administrative Assistant II	0.56	53,685	..B..C..D..	64,022
		Uniformed		**Step A**	Effective 1/1/2026	**Step E**
POL		Police Sergeant	5.00	108,659	..B..C..D..	114,587
POL		Police Officer	15.00	83,158	..B..C..D..	98,779
		Total Employees (excluding Council)	**101.60**			

By approving the budget Council authorizes the City Manager to adjust positions, duties & salaries within the number of FTEs & within the budgeted salaries & benefits amounts.

Salaries and Benefits

Salary and Benefits by Employee Group

	Council	Non-Represented	Non-Uniformed	Sergeants	Uniformed	Temporary &/or Limited PT	Total
Regular Salary	37,464	3,720,301	3,395,851	612,642	1,447,424	31,197	9,244,879
Overtime - Hourly	-	-	115,195	38,683	118,855	-	272,733
On Call Pay	-	-	59,937	13,584	-	-	73,521
Total Salary	**37,464**	**3,720,301**	**3,570,983**	**664,909**	**1,566,279**	**31,197**	**$ 9,591,133**
Health Insurance	-	629,038	911,340	102,150	306,450	-	1,948,978
Retirement	-	215,646	209,227	37,335	87,575	-	549,783
Payroll Taxes	2,864	282,619	273,187	51,132	119,934	2,386	732,122
Family Leave	58	5,781	5,733	1,072	2,518	50	15,212
Other Benefits	-	75,615	-	8,440	1,440	-	85,495
Workers Comp	154	35,586	79,083	27,845	85,677	959	229,304
Total Benefits	**$ 3,076**	**$ 1,244,285**	**$ 1,478,570**	**$ 227,974**	**$ 603,594**	**$ 3,395**	**$ 3,560,894**
Total Salary & Benefits	**$ 40,540**	**$ 4,964,586**	**$ 5,049,553**	**$ 892,883**	**$ 2,169,873**	**$ 34,592**	**$ 13,152,027**
Actual Budgeted Staff (FTE, not including Council)		*31.80*	*46.56*	*5.00*	*15.00*	*3.24*	101.60
Salary per FTE		116,991	76,696	132,982	104,419	9,629	94,401
Benefits per FTE		39,128	31,756	45,595	40,240	1,048	35,048
Total per FTE		**$ 156,119**	**$ 108,453**	**$ 178,577**	**$ 144,658**	**$ 10,677**	**$ 129,449**

LEOFF I Retired Medical Benefits	$ -
Salary Allocation model	$ (1,321,000)
Unemployment Reserve	$ 40,000
Total Salary & Benefits	**$ 11,871,027**

Benefits

City Paid Benefits 87.5% Health Insurance; 100% Remaining Insurance (Non-Represented Employees)	Total Monthly Cost		
Medical - Regence Blue Shield / AWC Health First 250 Plan	$ 877.06	< ------->	$ 2,557.29
Medical - High Deductible Health Plan (HSA qualified)	$ 609.88	< ------->	$ 1,172.95
Dental - WDS / Plan F, plus Orthodontia	$ 60.00	< ------->	$ 197.02
Vision - VSP	$ 8.11	< ------->	$ 24.32
Employee Assistance Program - ComPsych	$ 1.57		
Basic Life Insurance - The Standard	0.15/per $1000 of coverage		
AD&D Insurance - The Standard	0.15/per $1000 of coverage		
Long Term Disability - The Standard	0.341% of compensation		

City Paid Benefits 87.5% Insurance (Non- Uniformed Union Employees)	Total Monthly Cost
Medical - WA Teamsters Welfare Trust / Plan A	$ 1,541.20
Dental - NW Teamsters Dental Trust / Plan A	$ 110.71
Vision - WA Teamsters Vision Trust	$ 15.71
Time Loss Insurance / Plan C	$ 5.51
Life and AD&D Insurance / Non-Unif Plan B	$ 4.04
Waiver of Contributions 9-Month Disability Extension	$ 10.47

City Paid Benefits 87.5% Insurance (Uniformed Union Employees)	Total Monthly Cost
Medical - WA Teamsters Welfare Trust / Plan A	$ 1,541.20
Dental - NW Teamsters Dental Trust / Plan A	$ 110.71
Vision - WA Teamsters Vision Trust	$ 15.71
Time Loss Insurance / Plan A	$ 16.54
Life and AD&D Insurance / Uniformed Plan A	$ 7.90
Waiver of Contributions 9-Month Disability Extension	$ 10.47

Other City Paid Benefits - Employer Contribution	Total Monthly Cost		
Retirement:			
PERS Plans	5.58%	< ------->	5.58%
LEOFF2	5.32%	< ------->	5.32%

* Management reserves the right to make changes in these benefits when not limited by existing contracts.
**Preliminary as of 8/15/25 - Subject to Change

Historical Staffing Summary

	Actual 2022	Actual 2023	Actual 2024	Budget 2025	Budget 2026	2025 - 2026 %
Budgeted positions (FTE, not including Council)	*89.04*	*94.27*	*96.71*	*100.52*	*101.60*	*1.1%*
OFM Census	8,215	8,350	8,405	8,410	8,662*	3.0%
Employees per 1000 OFM Population	*10.8*	*11.3*	*11.5*	*12.0*	*11.7*	-1.9%
					*staff estimate 3% inc.**	
Salaries	$ 7,265,578	$ 7,470,779	$ 8,589,165	$ 8,961,686	$ 9,591,133	7.0%
Benefits	$ 2,861,201	$ 2,970,249	$ 3,268,561	$ 3,563,704	$ 3,560,894	-0.1%
Total Comp	**$ 10,126,779**	**$ 10,441,028**	**$ 11,857,726**	**$ 12,525,390**	**$ 13,152,027**	5.0%
Year over Year % Increase		*3.1%*	*13.6%*	*5.6%*	*5.0%*	
Benefits as % Salaries	39%	40%	38%	40%	37%	-6.6%
Benefits as % Total Comp	28%	28%	28%	28%	27%	-4.8%
City Wide Operating Costs	$ 18,936,894	$ 20,173,786	$ 22,400,681	$ 23,850,797	$ 24,868,913	4.3%
Total Comp as % Op Budget	**53.5%**	**51.8%**	**52.9%**	**52.5%**	**52.9%**	0.7%

Historical Personnel Summary by Department and Fund

		Budget 2022	Budget 2023	Amended 2024	Budget 2025	Budget 2026	2025-2026 Change
General Fund							
City Manager		1.50	2.50	2.00	2.00	1.80	(0.20)
City Clerk		1.50	1.50	2.00	2.00	1.25	(0.75)
Communications		0.60	0.60	0.73	0.60	0.60	-
City Attorney		3.00	3.00	3.00	3.00	3.75	0.75
Human Resources		2.25	2.25	2.25	2.25	2.25	-
Information Technology		3.00	3.00	3.00	3.00	4.00	1.00
Finance		7.00	6.31	7.25	6.75	6.75	-
Growth Planning		1.00	1.00	1.00	1.00	2.00	1.00
Dev Services		3.00	4.00	4.00	5.00	4.00	(1.00)
Dev Svc Engineering		1.00	2.00	1.00	1.00	1.00	-
PW Administration		4.88	5.88	6.63	6.44	6.36	(0.08)
Facilities Maintenance		3.00	3.25	3.25	3.50	3.00	(0.50)
Engineering		6.33	6.00	5.25	6.25	5.25	(1.00)
Parks & Events		2.75	2.75	4.00	6.50	7.00	0.50
Police Department		25.38	27.38	27.38	27.38	27.38	-
	Subtotal	**66.19**	**71.42**	**72.74**	**76.67**	**76.39**	(0.28)
Streets		5.55	5.05	5.80	5.05	5.71	0.66
	Subtotal	**5.55**	**5.05**	**5.80**	**5.05**	**5.71**	0.66
Stormwater							
Stormwater Operations		0.60	0.60	0.60	0.60	0.60	-
Project Stormwater		-	-	-	-	-	-
	Subtotal	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**-**
Restricted Funds							
Hotel/Motel Fund		0.88	0.88	1.01	0.88	0.88	-
Arts & Culture		0.47	0.47	0.47	0.47	0.47	-
	Subtotal	**1.35**	**1.35**	**1.48**	**1.35**	**1.35**	**-**
Enterprise Funds							
Water		4.83	4.83	4.49	5.43	5.78	0.35
Sewer/WRF		10.52	11.02	11.60	11.42	11.77	0.35
	Subtotal	**15.35**	**15.85**	**16.09**	**16.85**	**17.55**	0.70
Total Full Time Equivalents		**89.04**	**94.27**	**96.71**	**100.52**	**101.60**	**1.08**
Tax Supported (includes Streets)		71.74	76.47	78.54	81.72	82.10	0.38
Other Funding		1.35	1.35	1.48	1.35	1.35	-
Enterprise Fund Supported		15.95	16.45	16.69	17.45	18.15	0.70
Total Full Time Equivalents		**89.04**	**94.27**	**96.71**	**100.52**	**101.60**	**1.08**

SUPPLEMENTAL INFORMATION

Transfers between Funds

Key Goals

- Provide a funding source for one-time expenses, capital projects, debt payments, operations, etc. within restrictions and regulatory requirements
- Transfers “in” and “out” are balanced and authorized
- Acceptable audit documentation

Transfers are moneys taken out of one fund and deposited into another to provide funding for a specific activity and are considered “Other Financing Sources and Uses”. Although transfers are budgeted, the amount transferred should only be the amount necessary to complete the activity.

Transfers In Identifies the Receiving Fund and the Revenue Use		
DESCRIPTION	Amount	Transfer Description
001 General Fund	47,000	From Public Safety Tax for Emergency Management
101 Street Operations	1,091,000	From General Fund and TBD Tax for Street Safety and Maintenance
107 Stormwater Operations	170,000	From Water/Sewer Funds for Stormwater Operations
111 Street Restricted	600,000	From REET and TBD Tax for Street Master Plan and Projects
121 Police Asset Seizure	20,000	From Police Expendable Trust for Equipment
140 Parks Restricted	35,000	From REET for future Parks Projects
160 Arts & Culture	46,000	From General Fund for Arts Programing
164 Equipment Reserve	540,400	From General Fund, Water, and Sewer for Equipment, Vehicles and city-wide IT Projects
206 Debt Service Fund	625,000	From General Fund, REET and Police Restricted (Public Safety Tax) for LTGO Debt Service
306 Capital Facilities Fund	940,000	From Public Safety Tax, Water/Sewer, and REET for City Shop Improvements
411 Water Restricted	870,000	From Water Operations for Projects and Debt Service
422 Sewer Restricted	1,200,000	From Sewer Operations for Projects and Debt Service
Total Transfers In	6,184,400	

Transfers Out Identifies the Fund Incurring the Expense		
DESCRIPTION	Amount	Transfer Description
001 General Fund	1,181,400	To Street Operations, Equipment Reserve and Arts Programs
111 Street Restricted	786,000	To Street Operations for Safety and Maintenance and to Street Projects
120 Police Restricted	557,000	To LTGO Debt Service, City Shop Improvements and Emergency Management Operations
150 Real Estate Excise Tax	880,000	To Parks, Streets and Capital Facilities for City Shop Improvements, Civic Center Maintenance and to Debt Service
401 Water Operations	630,000	To Water Restricted for Debt and Projects, and to Stormwater for Operations
402 Sewer Operations	760,000	To Sewer Restricted for Projects and to Stormwater for Operations
411 Water Restricted	560,000	To Equipment Reserve, Water Projects and Debt Service
422 Sewer Restricted	810,000	To Equipment Reserve, Sewer Projects and Debt Service
621 Police Expendable Trust	20,000	To Police Asset Seizure for Equipment
Total Transfers Out	6,184,400	

Interfund Allocations & Internal Service Allocations

Central service departments provide support services or support functions to other operating units. The associated overhead costs are shared across city departments through a cost allocation process. Central service departments include:

- City Council (allocations not allowed on Federal Programs)
- City Administration (City Manager, City Clerk, City Attorney, Human Resources, Communications and Information Technology)
- Administrative Services (Finance and Non-Departmental)
- Public Works Administration (Engineering/GIS, PW Admin and Facilities Maintenance)

The allocation base determines how the costs are distributed from Central Services, also referred to as indirect, administrative, or overhead cost centers, to operating units which provide services directly to customers. The city uses the following allocation bases:

- Council Agenda items
- Number of employees (FTEs)
- Fund Activity (Expenses net of interfund charges, transfers, debt)
- Equipment: IT equipment, vehicles, other equipment maintained by support services.
- Square Footage of office space (owned and leased, public restrooms and other buildings)
- Insurance Claims to allocate insurance premiums

In 2023, the Budget reflected a change in accounting practice recommended by the Washington State Auditor's Office (SAO), in that many charges to our benefiting funds are now netted against the expense in the General Fund, as opposed to recording it as revenue to the General Fund. Per the SAO Budgeting, Accounting and Reporting System (BARS) Manual: 3.9.4.20 Reimbursements are repayments from the fund responsible for particular expenditures/expenses to the fund that initially paid for them. They are adjustments to correct the assignment of the expenditures/expenses. Reimbursements reduce expenditures/expenses in the fund that is reimbursed and move the expenditures/expenses to the fund that ultimately pays for it. This practice continues in 2026.

Key Goals

- Apportion administrative costs to operating funds that are supported by central services
- Acceptable audit documentation
- Adjust accounting practices acceptable to the SAO

2026 Budget Summary

The allocation model reflects relatively flat Central Services distributions.

Interfund Allocations

Interfund Allocations	300 Revenues	500 Expenses
001 - General Fund	**2,916,000**	
001 - General Fund	2,916,000	
100 - Special Revenue Funds		**664,000**
101 - Street Unrestricted		226,000
107 - Stormwater Unrestricted		40,000
111 - Street Restricted		349,000
117 - StormWater Restricted		24,000
140 - Parks Restricted		25,000
300 - Capital Funds		**125,000**
306 - Capital Facilities Fund		125,000
400 - Enterprise Funds		**2,127,000**
401 - Water Unrestricted		450,000
402 - Sewer Unrestricted		1,130,000
411 - Water Restricted		114,000
422 - Sewer Restricted		433,000
Grand Total	**2,916,000**	**2,916,000**

Internal Service Allocations

Internal Service Allocations	General Fund	Charges for Services
Internal Employee Services	**-456,000**	
001-013 - City Attorney	-191,000	
001-014 - Finance	-105,000	
001-016 - Human Resources	-160,000	
101-000 - Street Operations		70,154
107-000 - Storm Water Operations		9,120
401-001 - Water Administration		122,769
402-001 - Sewer Administration		253,957
Internal Project Engineering	**-535,000**	
001-035 - GIS/Engineering	-535,000	
111-103 - Streets R - Transportation Capital Projects		34,295
111-104 - Streets R - Impact Fees		43,897
111-112 - Streets R - TBD Projects		116,602
117-107 - Stormwater Restricted		15,090
140-000 - Parks Restricted		6,859
306-000 - Capital Facilities Fund		61,731
411-411 - Water Restricted GFCs		63,102
411-413 - Water Replacement Reserve		34,295
422-422 - Sewer Restricted GFCs		116,603
422-424 - Sewer Replacement Reserve		42,526
Utility Billing Services	**-330,000**	
001-014 - Finance	-330,000	
401-001 - Water Administration		100,000
402-001 - Sewer Administration		230,000
Grand Total	**-1,321,000**	**1,321,000**

GLOSSARY OF TERMS

Glossary

Abatement: A reduction or elimination of a real or personal property tax, motor vehicle excise, a fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

Accounting System: The total structure of records and procedures that identify record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, account groups, and organizational components.

Accrued Interest: The amount of interest that has accumulated on the debt since the date of the last interest payment, and on the sale of a bond, the amount accrued up to but not including the date of delivery (settlement date). (See Interest)

ACFR: Annual Comprehensive Financial Report - A detailed report of an organization's financial activities and performance over the fiscal year.

Amortization: The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

Appropriation: A legal authorization from the community's legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

Arbitrage: As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

Assessed Valuation: A value assigned to real estate or other property by a government as the basis for levying taxes.

Assets: Items owned by an organization that have economic value, such as cash, investments, property, and equipment.

Audit: An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor), and a report on the fairness of financial statements and on local compliance with statutes and regulations. The audit serves as a valuable management tool in evaluating the fiscal performance of a community.

Audit Report: Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions. It is almost always accompanied by a management letter which contains supplementary comments and recommendations.

Available Funds: Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other one-time costs.

Balance Sheet: A statement that discloses the assets, liabilities, reserves and equities of a fund or governmental unit at a specified date.

Betterments (Special Assessments): Whenever a specific area of a community receives benefit from a public improvement (e.g., water, sewer, sidewalk, etc.), special property taxes may be assessed to reimburse the governmental entity for all or part of the costs it incurred. Each parcel receiving benefit from the improvement is assessed for its proportionate share of the cost of such improvements. The proportionate share may be paid in full or the property owner may request that the assessors apportion the betterment over 20 years. Over the life of the betterment, one year's

apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

Bond: A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note)

Bond and Interest Record: (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

Bonds Authorized and Unissued: Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by the community's legislative body to be removed from community's books.

Bond Issue: Generally, the sale of a certain number of bonds at one time by a governmental unit.

Bond Rating (Municipal): A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poors, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

Budget: A plan for allocating resources to support particular services, purposes and functions over a specified period of time. (See Performance Budget, Program Budget)

Capital Assets: All real and tangible property used in the operation of government, which is not easily converted into cash, and has an initial useful live extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost. (See Fixed Assets)

Capital Budget: An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Assets, Fixed Assets)

Cash: Currency, coin, checks, postal and express money orders and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.

Cash Flow: The movement of money into or out of an organization, showing its liquidity and ability to meet financial obligations.

Cash Management: The process of monitoring the ebb and flow of money in an out of municipal accounts to ensure cash availability to pay bills and to facilitate decisions on the need for short- term borrowing and investment of idle cash.

Certificate of Deposit (CD): A bank deposit evidenced by a negotiable or non-negotiable instrument, which provides on its face that the amount of such deposit plus a specified interest payable to a bearer or to any specified person on a certain specified date, at the expiration of a certain specified time, or upon notice in writing.

Classification of Real Property: Assessors are required to classify all real property according to use into one of four classes: residential, open space, commercial, and industrial. Having classified its real properties, local officials are permitted to

determine locally, within limitations established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

Collective Bargaining: The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union, regarding wages, hours and working conditions.

Compliance: Adherence to relevant laws, regulations, and internal policies governing financial reporting and operations.

Consumer Price Index: The statistical measure of changes, if any, in the overall price level of consumer goods and services. The index is often called the "cost-of-living index."

Cost-Benefit Analysis: A decision-making tool that allows a comparison of options based on the level of benefit derived and the cost to achieve the benefit from different alternatives.

Debt Burden: The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Service: The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Encumbrance: A reservation of funds to cover obligations arising from purchase orders, contracts, or salary commitments that are chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Funds: An enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery — direct, indirect, and capital costs — are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

Equalized Valuations (EQVs): The determination of the full and fair cash value of all property in the community that is subject to local taxation.

Equity: The residual interest in the assets of an organization after deducting liabilities, representing the owners' stake in the business.

Estimated Receipts: A term that typically refers to anticipated local revenues often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget. (See Local Receipts)

Exemptions: A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

Expenditure: An outlay of money made by municipalities to provide the programs and services within their approved budget.

Fiduciary Funds: Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private- purpose trust funds, and agency funds.

Financial Statements: Reports summarizing an organization's financial activities and position, including the balance sheet, income statement, and cash flow statement.

Fiscal Year: The 12-month period for which an organization plans the use of its funds, typically not the same as the calendar year.

Fixed Assets: Long-lived, assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

Fixed Costs: Costs that are legally or contractually mandated such as retirement, FICA/Social Security, insurance, debt service costs or interest on loans.

Float: The difference between the bank balance for a local government's account and its book balance at the end of the day. The primary factor creating float is clearing time on checks and deposits. Delays in receiving deposit and withdrawal information also influence float.

Full Faith and Credit: A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

Fund: An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Accounting: Organizing financial records into multiple, segregated locations for money. A fund is a distinct entity within the municipal government in which financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently in accordance with specific regulations, restrictions or limitations. Examples of funds include the general fund and enterprise funds. Communities whose accounting records are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

GAAP: Generally Accepted Accounting Principles - Standard accounting principles, standards, and procedures that companies use to compile their financial statements.

GASB 34: A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering value estimates on public infrastructure assets, such as bridges, road, sewers, etc. It also requires the presentation of a narrative statement the government's financial performance, trends and prospects for the future.

GASB 45: This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other postemployment benefits in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.

General Fund: The fund used to account for most financial resources and activities governed by the normal appropriation process.

General Obligation Bonds: Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

Governing Body: A board, committee, commission, or other executive or policymaking body of a municipality or school district.

Indirect Cost: Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Internal Controls: Policies and procedures implemented by an organization to ensure the reliability of financial reporting and compliance with laws and regulations, aiming to prevent fraud and errors.

Interest: Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid every six months.

Interest Rate: The interest payable, expressed as a percentage of the principal available for use during a specified period of time. It is always expressed in annual terms.

Investments: Securities and real estate held for the production of income in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

Liabilities: Debts or obligations owed by an organization, including loans, accounts payable, and accrued expenses.

Line Item Budget: A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Local Aid: Revenue allocated by the state or counties to municipalities and school districts.

Maturity Date: The date that the principal of a bond becomes due and payable in full.

Municipal(s): (As used in the bond trade) "Municipal" refers to any state or subordinate governmental unit. "Municipals" (i.e., municipal bonds) include not only the bonds of all political subdivisions, such as cities, towns, school districts, special districts, counties but also bonds of the state and agencies of the state.

Net Income: The difference between an organization's revenues and expenses, representing its profit or loss for a specific period.

Note: A short-term loan, typically with a maturity date of a year or less.

Objects of Expenditures: A classification of expenditures that is used for coding any department disbursement, such as “personal services,” “expenses,” or “capital outlay.”

Official Statement: A document prepared for potential investors that contains information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale. It is sometimes called an offering circular or prospectus.

Operating Budget: A plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Overlapping Debt: A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

Performance Budget: A budget that stresses output both in terms of economy and efficiency.

Principal: The face amount of a bond, exclusive of accrued interest.

Program: A combination of activities to accomplish an end.

Program Budget: A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

Proprietary Funds: Funds used to record the financial transactions of governmental entities when they engage in activities that are intended to recover the cost of providing goods or services to the general public on a user-fee basis.

Purchased Services: The cost of services that are provided by a vendor.

Refunding of Debt: Transaction where one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer.

Reserve Fund: An amount set aside annually within the budget of a town to provide a funding source for extraordinary or unforeseen expenditures.

Revaluation: The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program will depend on the assessors' analysis and consideration of many factors, including, but not limited to, the status of the existing valuation system, the results of an in-depth sales ratio study, and the accuracy of existing property record information.

Revenues: Inflows of resources or other enhancements of assets of an organization, usually from sales of goods or services.

Revenue Anticipation Note (RAN): A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANs are full faith and credit obligations.

Revenue Bond: A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revolving Fund: Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Sale of Real Estate Fund: A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.

Surplus Revenue: The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Tax Rate: The amount of property tax stated in terms of a unit of the municipal tax base; for example, $14.80 per $1,000 of assessed valuation of taxable real and personal property.

Tax Title Foreclosure: The procedure initiated by a municipality to obtain legal title to real property already in tax title and on which property taxes are overdue.

Trust Fund: In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds or by the community's legislative body. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

Uncollected Funds: Recently deposited checks included in an account's balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. (These funds may not be

loaned or used as part of the bank's reserves and they are not available for disbursement.)

Undesignated Fund Balance: Monies in the various government funds as of the end of the fiscal year that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.

Unreserved Fund Balance (Surplus Revenue Account): The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

Valuation (100 Percent): The legal requirement that a community's assessed value on property must reflect its market, or full and fair cash value.