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# City of Poulsbo, Washington



*2012 – 2017*

## City Improvement Plan

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**COVER PHOTO**  
**Engineering Department**  
**City of Poulsbo**

# City Improvement Plan City of Poulsbo, Washington



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**CITY OF POULSBO**  
**2012-2017 City Improvement Plan**

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# CITY OF POULSBO

## 2012-2017 City Improvement Plan

### INTRODUCTION

The State of Washington Growth Management Act of 1990 (GMA) requires that the City of Poulsbo develop a Comprehensive Plan outlining its strategy with respect to land use, housing, capital facilities, utilities, public facilities and transportation. A key component of this plan is the City's Capital Facilities Plan (CFP). In addition to serving as an important planning tool, the CFP also places certain obligations on the City. First of all, the CFP is required to be a fully funded plan, identifying funding sources for all projects and expenditures included in the plan. Secondly, land use decisions which rely on future infrastructure improvements, impose an obligation on the City to complete the improvements within six years of development, provided the improvement has concurrency requirements.

The key detailed strategies and programs necessary to implement the CFP are outlined in the City Improvement Plan (CIP), which is a long-range study of financial wants, needs, expected revenues and policy intentions. The City Improvement Plan (CIP) communicates the City's six-year plan for capital construction and major acquisitions. The plan is consistent with the City's Mission Statement, Council goals, department priorities and service level standards necessary to maintain the safety and quality of life of our citizens.

The City's Mission Statement:

*The City of Poulsbo is committed to managing the public's resources to promote community health, safety and welfare, and plan for the future to accommodate growth without burden while preserving our natural resources and enhancing those qualities that make our community unique and desirable.*

Capital construction projects and major acquisitions in the CIP are divided into three categories: General Purpose, Transportation and Enterprise.

- **General Purpose** - Projects and improvements dealing with police, parks and recreation and the City's public buildings;
- **Transportation** - Projects dealing with vehicle and pedestrian transportation and, for the most part, duplicates our Transportation Improvement Plan (TIP); and,
- **Enterprise** - Projects associated with the City's utilities – Water, Sewer, Storm Water and Solid Waste.

## COMPREHENSIVE PLAN

The state's Growth Management Act of 1990 requires all cities within counties planning under the Act adopt a Comprehensive Land Use Plan. Mandatory elements of the Comprehensive Plan are:

- Land use
- Housing
- Utilities
- Transportation
- Capital facilities

## CAPITAL FACILITIES PLAN (CFP)

The Capital Facilities Plan (CFP) element of the Comprehensive Plan must include:

- An inventory of existing capital facilities owned by public entities showing the location and capacities of the capital facilities;
- A forecast of the future needs for such facilities;
- The proposed locations and capacities of expanded or new capital facilities;
- At least a six-year plan that will finance such capital facilities within projected funding capacities, which clearly identifies sources of public money for such purposes; and
- A reassessment of the land use element if probable funding falls short of meeting existing needs and to ensure the land use element, capital facilities element, and financing plan in the Capital Facilities Plan element are consistent.

## CITY IMPROVEMENT PLAN (CIP)

The City Improvement Plan (CIP) is a long-range study of financial wants, needs, expected revenues and policy intentions. It is not a budget but provides facts, trends and suggestions for decision-makers. Its components are:

- |                          |                     |
|--------------------------|---------------------|
| • <i>General Purpose</i> | • <i>Enterprise</i> |
| Parks and Recreation     | Water               |
| Municipal buildings      | Sewer               |
| Police                   | Solid Waste         |
| • <i>Transportation</i>  | Storm Drain         |

**The actual appropriation which represents the amount that will be used to implement a part of the City Improvement Plan in the coming years is the:**

## ANNUAL CAPITAL BUDGET

**CITY OF POULSBO**  
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**PROJECT PRIORITIZATION CRITERIA**

Anticipated growth and development within the City is compared against existing facilities and infrastructure to ensure that established level of service standards will continue to be met. If situations are identified where growth or development will degrade service levels, projects are identified to rectify the situation. In addition, the public, Council members or City staff may suggest specific capital facility projects or major purchases. In all cases, the suggestion is forwarded to the appropriate Council committee for review and for cost projections. A complete financial package is provided to the CIP committee headed by the Mayor and comprised of the Finance Director, Parks and Recreation Director, Planning Director, Public Works Director and three Council members.

Since service level standards and criteria are different for each category of projects, the prioritization criteria are also different. The only consistent criteria is the furtherance of City Council established goals and objectives and implementation of Comprehensive Plan policies. The specific prioritization criteria for each category are listed below and a detailed description of the prioritization criteria is provided in the appendix. The department or fund, as appropriate, will determine the final project rankings, based on the prioritization criteria.

**General Purpose Criteria**

Legal Mandates	Project Feasibility
Health and Safety	GMA Compliance
Economic Development	Liability
Operation and Maintenance/Reliability	Other Impacts

**Transportation Criteria**

Safety	Economic Development
Mobility	O&M Cost Impact
Structural Condition	Legal Mandate
Multimodal/Intermodal	Relationship to Plans and Policies
Multi-Agency	Environmental Issues
Project Cost	Other Impacts

**Enterprise Criteria**

Legal or Contractual Mandate	Relationship to Other Project
Health and Safety	Relationship to Plans and Policies
Reliability and Efficiency	Project Costs
Environmental Issues	Number of Customers or Area Affected
Economic Development	Other Impacts

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**2012-2017 City Improvement Plan**

**FINANCING THE CIP**

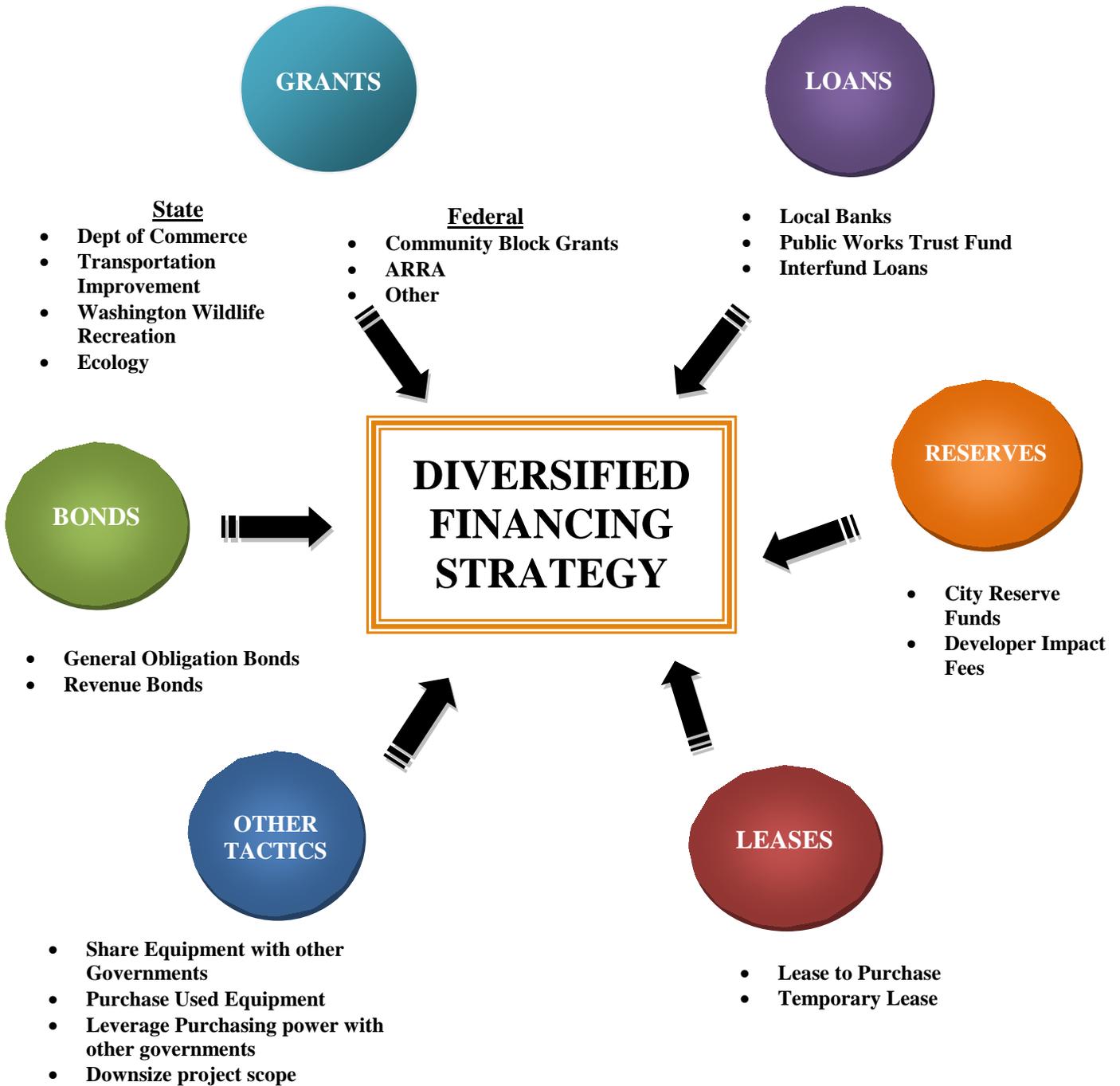
State and Federal mandates continue to impose financial burdens on the City. At the same time, recent funding constraints have left us with aging infrastructure (roadways, utility lines and municipal facilities), which require high maintenance and eventual replacement in the not-so-distant future. Looking ahead, the City needs to diversify its revenue base and attract new industry to our area, which requires investment in site development. Where development is allowed to proceed the infrastructure improvement must occur to avoid a reduction in service level standards. Since development decisions can be predicated on future infrastructure improvements, all sources of project funding must be identified as part of the plan. Most of our current revenue sources are used to either cover operating expenses, provide for current debt payments or to build reserves. Therefore, very few new projects can be considered without looking for new funding sources.

In order to finance the CIP, the City has at its disposal a multitude of possible funding sources including taxes, utility rates, grants, impact fees, reserves and donations. The City also has the ability to raise taxes, existing utility rates or, in a few limited cases, impose new taxes to generate additional revenue. However, new taxes could be unpopular with our citizens so any decision to move in that direction will not be easy.

In addition, the City can issue bonds and use the proceeds to finance capital spending. However, when considering debt financing, the City is obligated to a fixed payment stream to pay off the debt. Therefore, the CIP addresses financing sources from the stand point of annual cash flow requirements and the summary of capital projects and funding sources lists projected annual funding obligations.

Finally, while certain capital facilities could be financed by voted bonds, there are limits to the City's total indebtedness without degrading our ability to receive a favorable bond rating. Page 9-7 contains a list of annual debt payments, bond retirement date and the overall debt limit available to the City. Over the course of the six-year focus period, some debt obligations will be repaid in full, thus freeing up funds to support new obligations.

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2012-2017 City Improvement Plan**



**CITY OF POULSBO**  
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**LONG-TERM DEBT OBLIGATIONS AND DEBT CAPACITY**

As the demand for public sector investment and infrastructure continues to grow, the issuance of medium to long term debt has become an increasingly important component of state and local government capital programs. While the issuance of debt is frequently an appropriate method of financing capital projects, it also requires careful monitoring to ensure an erosion of the City's credit quality does not result. A decision to borrow money binds the City to a stream of debt service payments that can last as long as twenty-five years. It is therefore imperative the City consistently follow carefully developed debt management policies to ensure the City's credit quality and access to the tax-exempt and tax credit markets remains strong.

The implementation of the City's formal debt policies is an important component of the City's overall capital program. Formal debt policies send a clear message to credit analysts, underwriters and investors that the City is administering its debt program in a responsible manner and in compliance with its policies relative to debt management. The City of Poulsbo has received an underlying "AA" rating from Standard & Poors for its last General Obligation Bonds issue.

The two basic forms of long-term debt are general obligation issues which are backed by the full faith and credit (i.e. taxes) of the City, and revenue bonds which pledge revenues from a specific utility for repayment. The City of Poulsbo portfolio utilizes both general obligation and revenue debt to fund its operations. Under RCW 39.36.020(2), the public may vote to approve bond issues for general government in an amount not to exceed 2.5% of the City's assessed valuation. Within the 2.5% limit, the City Council may approve bond issues not to exceed 1.5% of the City's assessed valuation. Currently, the City's remaining debt capacity within the 2.5% limit is estimated at \$18,806,429. Under RCW 39.36.030(4), the public may also vote to approve park facilities and utility bond issues, each of which is also limited to 2.5% of the City's assessed valuation. Thus a total of 7.5% of the City's assessed valuation may be issued in bonds. 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.

Project	Type	Duration	Interest Rate	Amount Issued	Outstanding
Trans/Muni Campus Bon	Non Voted	2003 - 2017	2.5% - 4.8%	\$ 2,505,000	\$ 660,000
City Hall 2005	Non Voted	2005 - 2025	3.0% - 4.8%	5,185,000	4,005,000
City Hall 2009	Non Voted	2009 - 2033	1.4% - 5.1%	6,015,000	5,460,000
Park & Rec	Non Voted	2010 - 2030	3.78%	310,000	300,000
Line of Credit	Non Voted	2010 - 2011	2.06%	2,000,000	1,875,000
				\$ 16,015,000	\$ 12,300,000
<b>This Debt is controlled by assessed Valuation Debt Limits</b>					
2012 Assessed Valuation \$ 1,244,257,146					
X 0.025	=	\$ 31,106,429	Limited for Combined Debt	Balance Available	\$ 18,806,429
X 0.015	=	\$ 18,663,857	Limited for Non-Voted Debt	Balance Available	\$ 6,363,857
Balance Available for Voted Debt				\$	12,442,571

<b>BOND DEBT TO MATURITY</b>						
General Obligation (GO)				Revenue Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
	-	-	-	-	-	-
2012	2,425,000	453,123	2,878,123	396,000	92,546	488,546
2013	500,000	435,765	935,765	414,000	76,521	490,521
2014	515,000	419,365	934,365	429,000	62,238	491,238
2015	535,000	401,110	936,110	443,000	47,438	490,438
2016	550,000	381,505	931,505	457,000	32,154	489,154
2017	570,000	360,943	930,943	475,000	16,388	491,388
2018	485,000	338,828	823,828	-	-	-
2019	500,000	319,626	819,626	-	-	-
2020	525,000	298,850	823,850	-	-	-
2021	545,000	276,860	821,860	-	-	-
2022	565,000	253,856	818,856	-	-	-
2023	590,000	229,963	819,963	-	-	-
2024	615,000	204,990	819,990	-	-	-
2025	650,000	176,275	826,275	-	-	-
2026	295,000	146,015	441,015	-	-	-
2027	305,000	130,870	435,870	-	-	-
2028	320,000	115,188	435,188	-	-	-
2029	335,000	98,700	433,700	-	-	-
2030	355,000	80,475	435,475	-	-	-
2031	355,000	61,600	416,600	-	-	-
2032	370,000	42,075	412,075	-	-	-
2033	395,000	21,725	416,725	-	-	-
<b>TOTAL</b>	<b>12,300,000</b>	<b>5,247,707</b>	<b>17,547,707</b>	<b>2,614,000</b>	<b>327,284</b>	<b>2,941,284</b>

**CITY OF POULSBO**  
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**SOURCES OF FUNDING**

**RESERVES**

Historically, whenever possible, the City of Poulsbo has utilized a “pay-as-you-go” approach to funding capital projects. To that end, several reserve accounts have been established.

**Utility Reserves:** The City transfers into the utility reserves an amount equal to 100% of the depreciation expense which allows the City to prolong the need to go out for debt on smaller projects, and be able to fund the entire project.

**Police Reserves:** These reserves are in place to purchase, or at least partially fund, large equipment purchases.

**Street, Street Reserve and Park Reserve Funds:** Of the City’s property taxes collected in the General Fund, the City transfers 31% into the Street Fund to fund maintenance and operations along with small street projects, 4.3% into the Park Reserve Fund and 4.3% into the Street Reserve Fund for capital projects. The City will transfer 14% of property tax levies to Street Reserves (Fund 311) for pavement restoration capital projects. This amount has been segregated for future maintenance and transportation projects. However, to make more funds available for operations in 2012, the transfers to Street Reserves and the Park Reserves will be reduced by 55% and the transfer to the Street Fund for pavement restoration has been reduced 7%. The City also uses the second one-quarter percent (1/4%) of the Real Estate Excise Tax (REET) for City streets. The City will transfer the first one-quarter percent (1/4%) of REET to the Debt Service Fund (204) to help fund the City Hall Debt Service (\$138,000).

**BOND FINANCING**

In 2003, the City went out for debt to fund the refinancing of the city hall Morris property and three city transportation projects; Finn Hill Road, 10<sup>th</sup> Avenue and Caldart Avenue. To fund the annual payments, a transfer is made from the General Fund and Street Operations Fund.

At the end of 2005 the Ciy issued bonds for the purchase of a large parcel of land, civil site work and an architectural design contract for a new city hall. In 2009, the City issued an additional \$6 million to fund the construction of the new City Hall. The 2012 bond payments are projected to be paid from general fund dollars and real estate excise tax earnings. In 2010, the City secured a \$2.0M Line of Credit intended to bridge the receipt of proceeds from the sale of property and/or issuance of bonds, this is expected to be replaced with a bond issue in 2012.

In 2010, the City financed the \$310,000 purchase of the Park and Recreation building with a LOCAL certificate of participation with the State of Washington. These debt payments are projected to be paid from the General Fund but funded by rental revenue from the building.

### **IMPACT FEES**

As authorized by 82.02.050 RCW, the City has enacted the collection of impact fees on new development activity. Consistent with the level of service standards and capital facilities needs identified in the City's Capital Facilities Plan, impact fees collected will provide a funding source, in conjunction with public and other funding sources, for capital improvement projects to the City's transportation and park system.

### **POTENTIAL NEW FUNDING**

It is particularly important to consider new sources of funding that could support projects that would otherwise be funded through the City's General Fund including:

**Hotel/Motel Tax:** The City could use the additional amount remaining of the second 2% to fund projects that would qualify for this tax use (i.e. Bathrooms, cultural arts, etc.)

**B & O Tax:** The City is currently part of the minority of cities in the State of Washington that do not impose a business and occupation (B & O) tax. All cities are authorized to establish such a tax and doing so could generate additional dollars annually for capital projects.

**Parking Fees:** At this time, public parking in the City is provided at no cost. In the future, the City could establish parking fees to fund future parking improvements.

**SUMMARY OF CAPITAL PROJECTS and FUNDING SOURCES**  
**2012 - 2017 CIP BUDGET**

<i>General Purpose Projects</i>								
<i>Projects</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
General/Municipal Facilities	\$ 1,100,000	\$ -	\$ 100,000	\$ -	\$ 500,000	\$ -	\$ 6,000,200	\$ 7,700,200
Park Projects	\$ 3,862,698	\$ 230,000	\$ 705,460	\$ 536,500	\$ 425,000	\$ -	\$ -	\$ 5,759,658
<b>Total General Purpose</b>	<b>\$ 4,962,698</b>	<b>\$ 230,000</b>	<b>\$ 805,460</b>	<b>\$ 536,500</b>	<b>\$ 925,000</b>	<b>\$ -</b>	<b>\$ 6,000,200</b>	<b>\$ 13,459,858</b>
<i>Funding</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
Grants	\$ 2,267,964	\$ 100,000	\$ 60,000	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 3,227,964
City Revenues	2,119,859	30,000	665,000	136,500	525,000	-	-	\$ 3,476,359
Debt	-	-	-	-	-	-	4,900,200	\$ 4,900,200
Lease/Sale	-	-	-	-	-	-	1,100,000	\$ 1,100,000
Donation/In-Kind	574,875	100,000	80,460	-	-	-	-	\$ 755,335
<b>Total General Purpose</b>	<b>\$ 4,962,698</b>	<b>\$ 230,000</b>	<b>\$ 805,460</b>	<b>\$ 536,500</b>	<b>\$ 925,000</b>	<b>\$ -</b>	<b>\$ 6,000,200</b>	<b>\$ 13,459,858</b>

<i>Transportation Projects</i>								
<i>Projects</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
Streets Projects	\$ 1,308,266	\$ 1,924,000	\$ 3,240,000	\$ 440,000	\$ 1,866,000	\$ 950,000	\$ 450,000	\$ 10,178,266
<b>Total Trans. Projects</b>	<b>\$ 1,308,266</b>	<b>\$ 1,924,000</b>	<b>\$ 3,240,000</b>	<b>\$ 440,000</b>	<b>\$ 1,866,000</b>	<b>\$ 950,000</b>	<b>\$ 450,000</b>	<b>\$ 10,178,266</b>
								\$ -
<i>Funding</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
Grants	\$ 629,218	\$ 1,249,000	\$ 2,116,620	\$ 200,000	\$ 1,200,000	\$ -	\$ -	\$ 5,394,838
City Revenues	679,048	675,000	1,123,380	240,000	666,000	950,000	450,000	\$ 4,783,428
<b>Total Trans. Projects</b>	<b>\$ 1,308,266</b>	<b>\$ 1,924,000</b>	<b>\$ 3,240,000</b>	<b>\$ 440,000</b>	<b>\$ 1,866,000</b>	<b>\$ 950,000</b>	<b>\$ 450,000</b>	<b>\$ 10,178,266</b>

<i>Enterprise Projects</i>								
<i>Projects</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
Sewer Projects	\$ 1,615,513	\$ 1,660,000	\$ 1,841,000	\$ 578,000	\$ 630,000	\$ 500,000	\$ 500,000	\$ 7,324,513
Water Projects	80,000	1,142,000	40,000	798,000	913,000	385,000	1,525,000	\$ 4,883,000
Storm Drain	114,322	391,000	850,000	383,000	57,000	32,000	94,000	\$ 1,921,322
Solid Waste	40,000	110,000	-	-	-	-	-	\$ 150,000
<b>Total Enterprise Projects</b>	<b>\$ 1,849,835</b>	<b>\$ 3,303,000</b>	<b>\$ 2,731,000</b>	<b>\$ 1,759,000</b>	<b>\$ 1,600,000</b>	<b>\$ 917,000</b>	<b>\$ 2,119,000</b>	<b>\$ 14,278,835</b>
<i>Funding</i>	<i>Prior Years</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>Total</i>
Grants	\$ -	\$ 270,000	\$ 600,000	\$ 200,000	\$ 110,000	\$ -	\$ -	\$ 1,180,000
City Revenues	1,849,835	3,033,000	2,131,000	1,559,000	1,490,000	917,000	2,119,000	\$ 13,098,835
<b>Total Enterprise Projects</b>	<b>\$ 1,849,835</b>	<b>\$ 3,303,000</b>	<b>\$ 2,731,000</b>	<b>\$ 1,759,000</b>	<b>\$ 1,600,000</b>	<b>\$ 917,000</b>	<b>\$ 2,119,000</b>	<b>\$ 14,278,835</b>

# **CITY OF POULSBO**

**2012-2017 CITY IMPROVEMENT PLAN**

# **GENERAL PURPOSE PROGRAM**



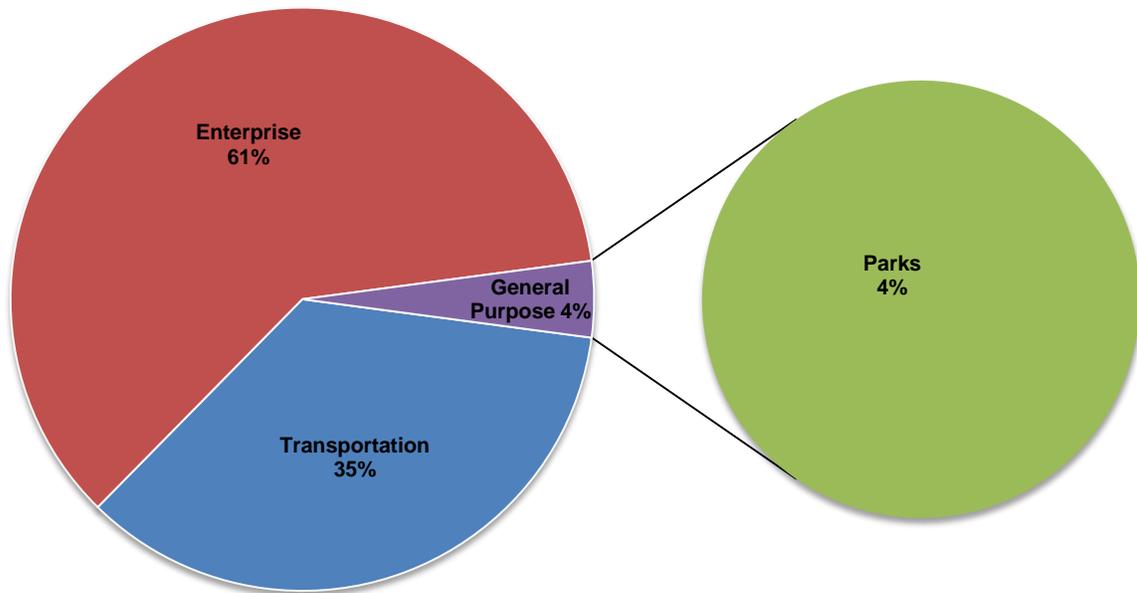
**CITY OF POULSBO**  
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**GENERAL PURPOSE PROGRAM**

The General Purpose Program element of the City Improvement Plan comprises Police, Parks & Recreation and General Government projects. Combined, they represent \$230,000 or 4% of the \$5,457,000 City Improvement Plan. This 4% represents park projects that rely heavily on grant funding.

Several park projects will be phased over the next six years. A parcel of land was purchased for the intent of a new Public Works Complex, design is anticipated to begin in the next couple of years.

**General Purpose Expenditures**



<b>CITY IMPROVEMENT PLAN PROGRAM</b>	<b>AMOUNT</b>
<b>General Purpose</b>	<b>\$ 230,000</b>
Transportation	\$ 1,924,000
Enterprise	\$ 3,303,000
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$ 5,457,000</b>

## 2012 - 2017 GENERAL PURPOSE CAPITAL IMPROVEMENTS

Page #	Project Name	Prior Years Costs	2012 Project Cost	2013 Project Cost	2014 Project Cost	2015 Project Cost	2016 Project Cost	2017 Project Cost	Total Project Cost
<b>General Projects/Municipal Facilities</b>									
1	PW Complex Relocation	1,100,000	-	100,000	-	500,000	-	6,000,200	7,700,200
	6- Non- Voted Bonds					-		4,900,200	4,900,200
	7- City/Utility Reserves	1,100,000	-	100,000	-	500,000	-	-	1,700,000
	11- Sale of PW Prop	-	-	-	-	-	-	1,100,000	1,100,000
<b>Total Municipality Facility Projects</b>		<b>\$ 1,100,000</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 6,000,200</b>	<b>\$ 7,700,200</b>
<b>Total Municipality Facility Funding Sources</b>		<b>1,100,000</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>6,000,200</b>	<b>7,700,200</b>
	6- Non- Voted Bonds	-	-	-	-	-	-	4,900,200	4,900,200
	7 - City/Utility Reserves	1,100,000	-	100,000	-	500,000	-	-	1,700,000
	11 - Sale of Property	-	-	-	-	-	-	1,100,000	1,100,000













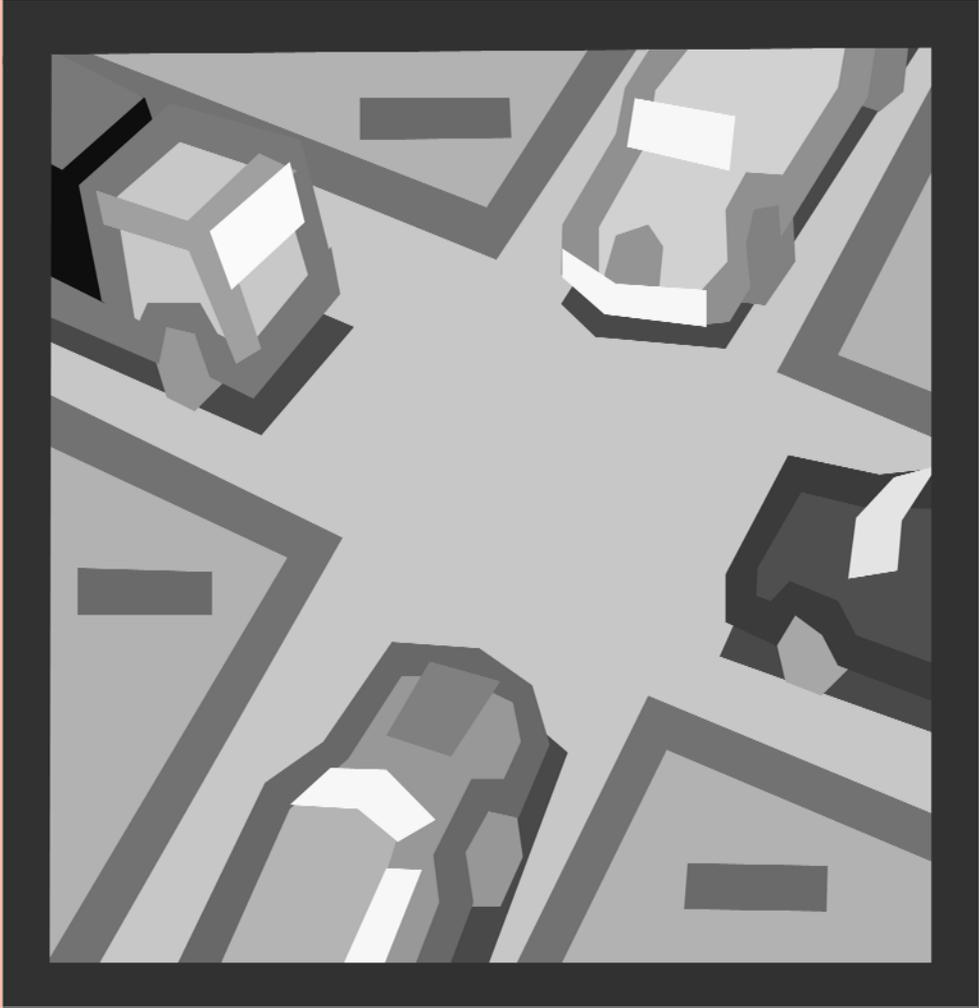




**CITY OF POULSBO**

**2012-2017 CITY IMPROVEMENT PLAN**

**TRANSPORTATION  
PROGRAM**

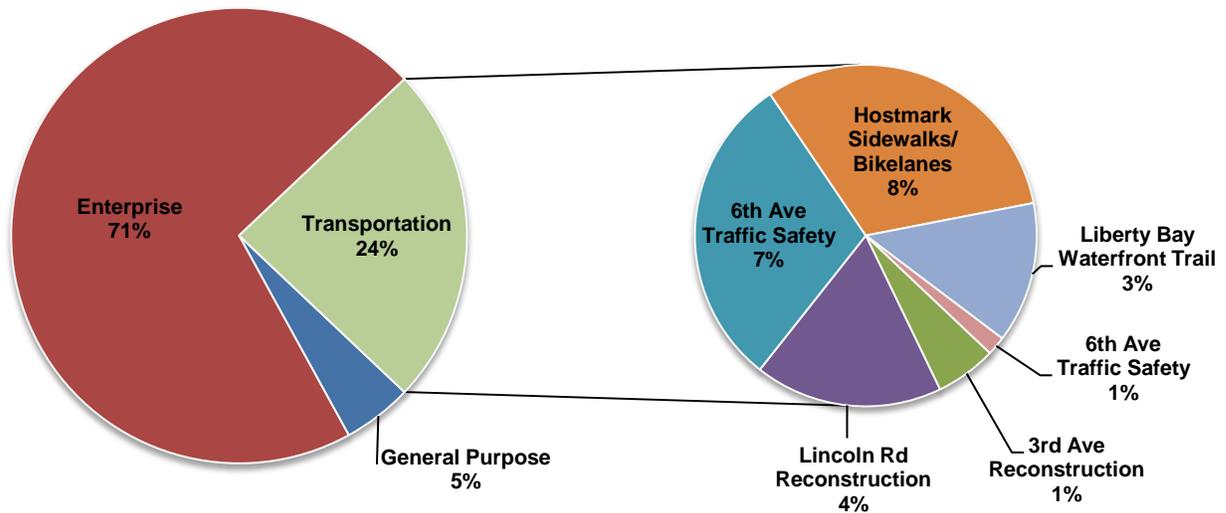


**CITY OF POULSBO**  
**2012-2017 City Improvement Plan**

**TRANSPORTATION PROGRAM**

The Transportation Program element of the City Improvement Plan comprises all vehicle and pedestrian transportation projects including roadways, alleys, sidewalks and traffic lighting/signals. The transportation projects will help traffic flow through the city and enhance pedestrian safety with new sidewalks. Combined they represent \$1,924,000 or 24% of the \$5,457,000 City Improvement Plan. The projects listed in the Transportation Program are projects from the TIP that have established and available funding.

**Transportation Expenditures**



CITY IMPROVEMENT PLAN PROGRAM	AMOUNT
General Purpose	\$ 230,000
<b>Transportation</b>	<b>\$ 1,924,000</b>
Enterprise	\$ 3,303,000
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$ 5,457,000</b>

## 2012 - 2017 TRANSPORTATION CAPITAL IMPROVEMENTS

Page #	Project Name	Prior Years Costs	2012	2013	2014	2015	2016	2017	Total Project Cost
			Project Cost	Project Cost	Project Cost	Project Cost	Project Cost	Project Cost	
<b>Street Projects</b>									
8	Noll Road Improvements	\$ 1,102,886	\$ 800,000	\$ -	\$ 200,000	\$ 500,000	\$ -	\$ -	\$ 2,602,886
	1 - Federal Grants	620,888	450,000		200,000	400,000			
	3 - County Grants		100,000						
	7 - City/Utility Reserves	481,998	200,000						
	8 - City Impact Fees	-	50,000			100,000			
9	3rd Ave Reconstruction - Phase 1 and 2	90,000	65,000	800,000	-	-	-	-	955,000
	7 - City/Utility Reserves	90,000	65,000	800,000					
10	Finn Hill Reconstruction	-	-	-	100,000	100,000	450,000	-	550,000
	8 - City Impact Fees				100,000	100,000	450,000		
11	7th Ave Overlay - 8th to Liberty	-	-	-	160,000	-	-	-	160,000
	7 - City/Utility Reserves				160,000				
12	Lincoln Rd Reconstruction - PS&E	45,664	200,000	2,300,000	-	-	-	-	2,545,664
	2 - State Grants			2,000,000					
	7 - City/Utility Reserves	45,664	100,000	200,000					
	8 - City Impact Fees		100,000	100,000					
13	Caldart Ave./Forest Rock Lane Overlay	-	-	-	80,000	266,000	-	-	346,000
	8 - City Impact Fees				80,000	266,000			
14	Fjord Rd. Overlay - Hostmark to County Line	-	-	-	-	-	500,000	450,000	950,000
	7 - City/Utility Reserves						500,000	450,000	
15	6th Avenue Traffic Safety Improvements	59,716	336,000	-	-	-	-	-	395,716
	2 - State Grants		276,000						
	7 - City/Utility Reserves	59,716	60,000						
16	Hostmark 5ft sidewalk alk/bike lane	-	353,000	-	-	-	-	-	353,000
	2 - State Grants		298,000						
	7 - City/Utility Reserves		55,000						
17	Liberty Bay Waterfront Trail	10,000	150,000	140,000	-	1,000,000	-	-	1,300,000
	1 - Federal Grants	8,330	125,000	116,620		800,000			
	7 - City/Utility Reserves	1,670	25,000	23,380		200,000			
18	Lindvig Bridge Beautification	-	20,000	-	-	-	-	-	20,000
	7 - City/Utility Reserves		20,000						
<b>Total Transportation Capital Projects</b>		<b>\$ 1,308,266</b>	<b>\$ 1,924,000</b>	<b>\$ 3,240,000</b>	<b>\$ 440,000</b>	<b>\$ 1,866,000</b>	<b>\$ 950,000</b>	<b>\$ 450,000</b>	<b>\$ 10,178,266</b>
<b>Total Transportation Capital Funding Sources</b>		<b>\$ 1,308,266</b>	<b>\$ 1,924,000</b>	<b>\$ 3,240,000</b>	<b>\$ 440,000</b>	<b>\$ 1,866,000</b>	<b>\$ 950,000</b>	<b>\$ 450,000</b>	<b>\$ 10,178,266</b>
	1 - Federal Grants	629,218	575,000	116,620	200,000	1,200,000	-	-	2,720,838
	2 - State Grants	-	574,000	2,000,000	-	-	-	-	2,574,000
	3 - County Grants	-	100,000	-	-	-	-	-	100,000
	7 - City/Utility Reserves	679,048	525,000	1,023,380	160,000	200,000	500,000	450,000	3,537,428
	8 - City Impact Fees	-	150,000	100,000	80,000	466,000	450,000	-	1,246,000





















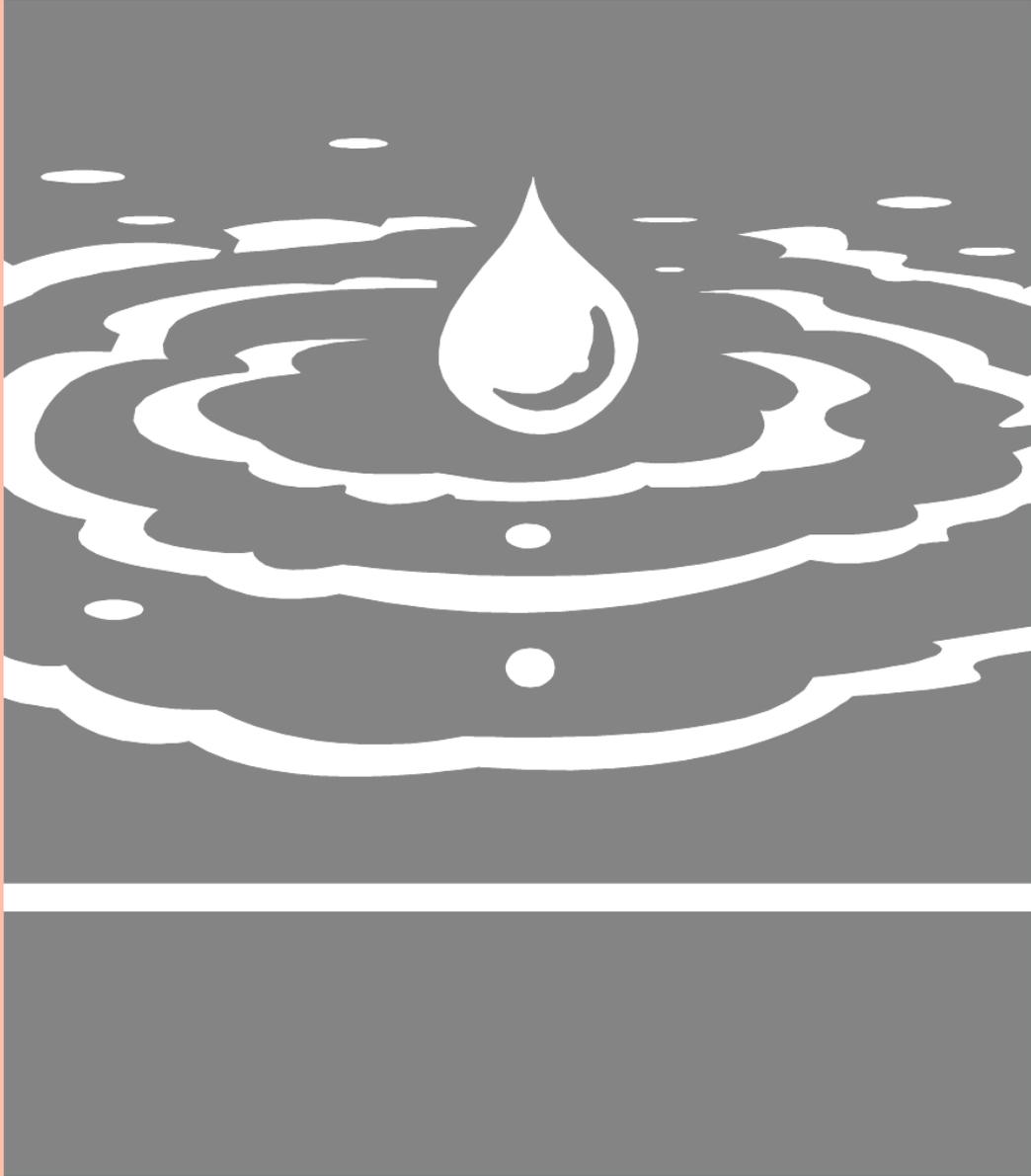




# **CITY OF POULSBO**

**2012-2017 CITY IMPROVEMENT PLAN**

# **ENTERPRISE PROGRAM**

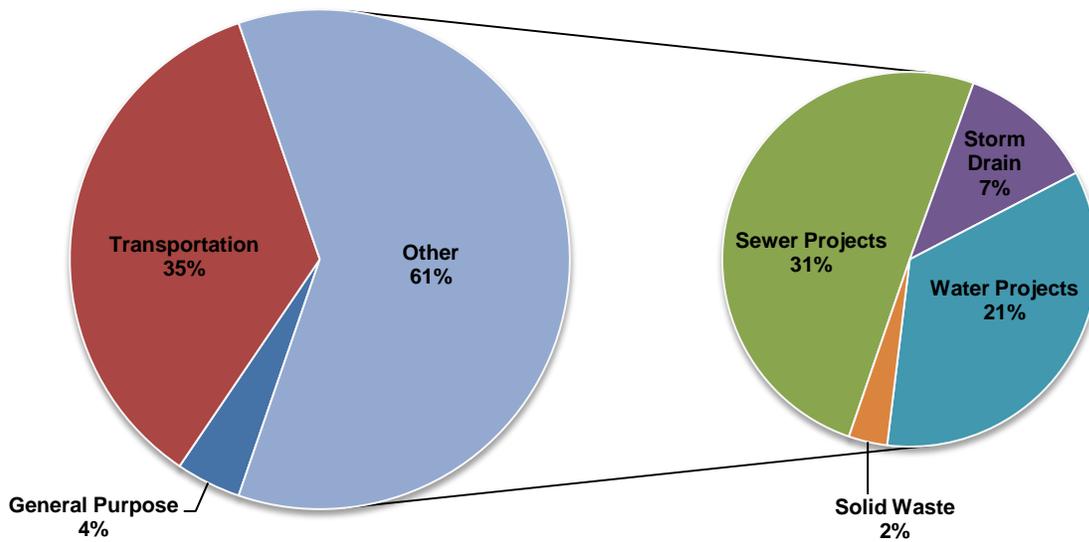


**CITY OF POULSBO**  
**2012 - 2017 City Improvement Plan**

**ENTERPRISE PROGRAM**

The Enterprise Program element of the City Improvement Plan comprises Water, Wastewater, Solid Waste and Storm Water Utility Programs. Combined, they represent \$3,303,000 or 61% of the \$5,457,000 City Improvement Plan. Funding for the Enterprise projects will come from the individual utility’s reserve funds or by issuing debt supported by the rate payers of the utility.

**Enterprise Expenditures**



<b>CITY IMPROVEMENT PLAN PROGRAM</b>	<b>AMOUNT</b>
General Purpose	\$ 230,000
Transportation	\$ 1,924,000
<b>Enterprise</b>	<b>\$ 3,303,000</b>
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$ 5,457,000</b>

## 2012 - 2017 ENTERPRISE CAPITAL IMPROVEMENTS

Page #	Project Name	Prior Years Costs	2012 Project Cost	2013 Project Cost	2014 Project Cost	2015 Project Cost	2016 Project Cost	2017 Project Cost	Total Project Cost
<b>Sewer</b>									
19	Annual Inflow Reduction Program	20,000	20,000	20,000	20,000	20,000			100,000
20	6th & 9th Avenue Pump Station	155,513	1,050,000	900,000					2,105,513
21	Tollefson Foremain Upgrade		50,000						50,000
22	Poulsbo Village Pump Station Upgrade		40,000	81,000					121,000
23	Harrison Foremain Replacement			340,000					340,000
24	Replace Johnson Pipe				58,000				58,000
25	I&I Effectiveness & Downstream Capacity Study					110,000			110,000
26	Capital Facilities Charge for CK Plant	1,440,000	500,000	500,000	500,000	500,000	500,000	500,000	4,440,000
<b>Total Sewer Capital Projects</b>		<b>\$ 1,615,513</b>	<b>\$ 1,660,000</b>	<b>\$ 1,841,000</b>	<b>\$ 578,000</b>	<b>\$ 630,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 7,324,513</b>
<b>Funding for Sewer Projects</b>		<b>\$ 1,615,513</b>	<b>\$ 1,660,000</b>	<b>\$ 1,841,000</b>	<b>\$ 578,000</b>	<b>\$ 630,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 7,324,513</b>
	1-Federal Grants					110,000			110,000
	7-Sewer Reserves	1,615,513	1,660,000	1,841,000	578,000	520,000	500,000	500,000	7,214,513
<b>Water</b>									
27	Westside Well - Treatment for Manganese				100,000				100,000
28	Intrusion Alarms		22,000						22,000
29	Pugh Well/Lincoln #2- Treatment for Manganese		100,000						100,000
30	Hostmark Transmission Main			40,000	648,000				688,000
31	Wilderness Park Booster Station Replacement				50,000	563,000			613,000
32	Wilderness Park Transmission Main						35,000	439,000	474,000
33	Old Town - Distribution Main Replacement					350,000	350,000		700,000
34	Big Valley - Little Valley Transmission Main	80,000	1,020,000						1,100,000
35	Finn Hill Reservoir #2							1,086,000	1,086,000
<b>Total Water Capital Projects</b>		<b>\$ 80,000</b>	<b>\$ 1,142,000</b>	<b>\$ 40,000</b>	<b>\$ 798,000</b>	<b>\$ 913,000</b>	<b>\$ 385,000</b>	<b>\$ 1,525,000</b>	<b>\$ 4,883,000</b>
<b>Funding for Water Projects</b>		<b>\$ 80,000</b>	<b>\$ 1,142,000</b>	<b>\$ 40,000</b>	<b>\$ 798,000</b>	<b>\$ 913,000</b>	<b>\$ 385,000</b>	<b>\$ 1,525,000</b>	<b>\$ 4,883,000</b>
	7-Water Reserves	80,000	1,142,000	40,000	798,000	913,000	385,000	1,525,000	4,883,000

## 2012 - 2017 ENTERPRISE CAPITAL IMPROVEMENTS (continued)

Page #	Project Name	Prior Years Costs	2012 Project Cost	2013 Project Cost	2014 Project Cost	2015 Project Cost	2016 Project Cost	2017 Project Cost	Total Project Cost
<b>Storm Drain</b>									
36	Dogfish Creek Restoration	10,000	40,000	350,000	300,000				700,000
37	Anderson Parkway LID Retrofit	64,322	321,000						385,322
38	Noll Rd Culvert Replacement/Bjorgen Cr Culvert	40,000	30,000	500,000					570,000
39	Replace Storm Drain in Wendy Way				83,000				83,000
40	Norrlund Drainage Ditch Replacement					57,000			57,000
41	Replace Storm Drain West of 10th Ave.						32,000		32,000
42	Repair American Legion Park Outfall							94,000	94,000
<b>Total Storm Drain Projects</b>		<b>\$ 114,322</b>	<b>\$ 391,000</b>	<b>\$ 850,000</b>	<b>\$ 383,000</b>	<b>\$ 57,000</b>	<b>\$ 32,000</b>	<b>\$ 94,000</b>	<b>\$ 1,921,322</b>
<b>2-State Grants</b>									
		-	\$ 270,000	\$ 600,000	\$ 200,000	\$ -	\$ -	\$ -	1,070,000
<b>7-Storm Drain Reserves</b>									
		\$ 114,322	\$ 121,000	\$ 250,000	\$ 183,000	\$ 57,000	\$ 32,000	\$ 94,000	\$ 851,322
<b>Funding for Storm Drain Projects</b>		<b>\$ 114,322</b>	<b>\$ 391,000</b>	<b>\$ 850,000</b>	<b>\$ 383,000</b>	<b>\$ 57,000</b>	<b>\$ 32,000</b>	<b>\$ 94,000</b>	<b>\$ 1,921,322</b>
<b>Solid Waste</b>									
43	Solid Waste Transfer Station		40,000	110,000					150,000
<b>Total Solid Waste Projects</b>		<b>\$ 40,000</b>	<b>\$ 110,000</b>	<b>\$ -</b>	<b>\$ 150,000</b>				
<b>7-Solid Waste Reserves</b>									
		40,000	110,000	-	-	-	-	-	150,000
<b>Funding for Solid Waste Projects</b>		<b>40,000</b>	<b>110,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,000</b>
<b>Total Enterprise Projects</b>		<b>\$ 1,849,835</b>	<b>\$ 3,303,000</b>	<b>\$ 2,731,000</b>	<b>\$ 1,759,000</b>	<b>\$ 1,600,000</b>	<b>\$ 917,000</b>	<b>\$ 2,119,000</b>	<b>\$ 14,278,835</b>
<b>Total Funding Enterprise Projects</b>		<b>\$ 1,849,835</b>	<b>\$ 3,303,000</b>	<b>\$ 2,731,000</b>	<b>\$ 1,759,000</b>	<b>\$ 1,600,000</b>	<b>\$ 917,000</b>	<b>\$ 2,119,000</b>	<b>\$ 14,278,835</b>
<b>GRAND TOTAL CIP PROJECTS</b>									
		<b>\$ 8,120,799</b>	<b>\$ 5,457,000</b>	<b>\$ 6,776,460</b>	<b>\$ 2,735,500</b>	<b>\$ 4,391,000</b>	<b>\$ 1,867,000</b>	<b>\$ 8,569,200</b>	<b>\$ 37,916,959</b>
<b>GRAND TOTAL CIP FUNDING SOURCES</b>									
		<b>\$ 8,120,799</b>	<b>\$ 5,457,000</b>	<b>\$ 6,776,460</b>	<b>\$ 2,735,500</b>	<b>\$ 4,391,000</b>	<b>\$ 1,867,000</b>	<b>\$ 8,569,200</b>	<b>\$ 37,916,959</b>



















































# **CITY OF POULSBO**

**2012 – 2017 CITY IMPROVEMENT PLAN**

## **APPENDIX**





# City of Poulsbo

## Legislative Policy

<b>Title:</b> Capital Improvement Policy	<b>Page Number:</b> 1 of 2
<b>Department:</b> Finance Department	<b>Effective Date:</b> July 21, 1999
<b>Revised Date:</b> New	<b>Revised by:</b> Finance/Admin Committee

### PURPOSE

Poulsbo's city government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid emergencies and major costs in the future.

### POLICY

A capital project is defined as a project of a nonrecurring nature with a cost of \$15,000 or more and estimated service life of 10 years or more.

### GUIDELINES

- A. Annually, a six-year capital improvements program will be developed analyzing all anticipated capital projects by year and identifying associated funding sources. The plan will contain projections of how the city will perform over the six-year period in relation to policy targets.
- B. The first year of the six-year capital improvements program will be used as the basis for formal fiscal year appropriations during the annual budget process. The capital improvement program will incorporate in its projections of expenditures and funding sources any amounts relating to previous year's appropriations but which have yet to be expended.
- C. The city will maintain a capital projects approval and monitoring committee composed of the City Engineer, Planning Director, Park and Recreation Director, Finance Director and the Committee Chairs from the Public Works, Community Services and the Finance/Admin Council Committees to meet quarterly and review the progress on all outstanding projects as well as to revise spending projections.

- D. The City Improvement Plan will be prepared and updated annually.
- E. The City Council will designate annual ongoing funding levels for each of the major project categories within the City Improvement Plan.
- F. Financial analysis of funding sources will be conducted for all proposed capital improvements.
- G. An annual Capital Budget will be developed and adopted by the City Council as part of the annual budget.
- H. The City Improvement Plan will be consistent with the Capital Facilities Element of the Comprehensive Plan.

**REVISION CRITERIA**

Each year during the Budget Process the Finance/Admin Committee will review Legislative Policies and recommend to Council any appropriate changes.

## **City of Poulsbo Debt Policy**

### **SECTION I – INTRODUCTION & GUIDING PRINCIPLES**

#### **Purpose and Overview**

The Debt Policy for the City of Poulsbo is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the City Council. Adherence to the policy is essential to ensure that the Council maintains a sound debt position and protects the credit quality of its obligations.

#### **Capital Planning:**

The City shall integrate its debt issuance with its Capital Improvement Program (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the City shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

#### **Legal Governing Principles**

In the issuance and management of debt, the City shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

- State Statutes – The City may contract indebtedness as provided for by RCW 35A.40.090. General Obligation indebtedness is subject to the limitations on indebtedness provided for in RCW 39.36.020(2)(b) and Article VIII of the Washington State Constitution. Bonds evidencing such indebtedness shall be issued and sold in accordance with chapter 39.46.
- Federal Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the Treasury Department regulations there under; and the Securities Acts of 1933 and 1934.
- Local Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by local rules and regulations.

#### **Roles & Responsibilities**

The City Council shall:

- Approve indebtedness;
- Approve appointment of independent financial advisor and bond counsel;
- Approve the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and
- In consultation with the City's General Counsel, financial advisor, and bond counsel, shall determine the most appropriate instrument for a proposed bond sale.

The Finance Director in consultation with the Finance Committee, the Mayor and full Council shall:

- Assume primary responsibility for debt management
- Provide for the issuance of debt at the lowest possible cost and risk;
- Determine the available debt capacity;
- Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the City Council the manner of sale of debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate.
- Comply with all Internal Revenue Service (IRS), Securities and Exchange (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt.
- Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
- Provide for and participate in the preparation and review of offering documents;
- Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
- Submit to the City Council all recommendations to issue debt;
- Distribute to appropriate repositories information regarding financial condition and affairs at such times and in the form required by law, regulation and general practice, including Rule 15c2-12 regarding continuing disclosure;
- Provide for the distribution of pertinent information to rating agencies; and
- Apply and promote prudent fiscal practices.

### **Ethical Standards Governing Conduct**

The members of the City staff, the Mayor and the City Council will adhere to the standards of conduct as stipulated by the Public Disclosure Act, RCW 42.17 and Ethics in Public Service, RCW 42.52.

## **SECTION II – PROFESSIONAL SERVICES**

### **Professional Services**

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt.

- Bond Counsel – With the exception of debt issued by the State, all debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.
- Financial Advisor – A Financial Advisor may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and preparing official statements of disclosure.

- Underwriters – An Underwriter will be used for all debt issued in a negotiated sale method. The Underwriter is responsible for purchasing negotiated debt and reselling the debt to investors.
- Fiscal Agent – A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided under RCW 43.80, the City will use the Fiscal Agent that is determined by the State.
- Professional Service providers may be selected through a competitive selection process conducted by the Finance Director in consultation with the Finance Committee and Legal Counsel; the City Council shall approve the most qualified financial advisor/underwriter and bond counsel.
- These services shall be regularly monitored by the Finance Director.

### SECTION III – DEBT STRUCTURE

#### **Types of Debt Instruments:**

The City may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of City Council, the City is authorized to sell:

- **Unlimited Tax General Obligation Bonds** – The City shall use Unlimited Tax General Obligation Bonds, also known as “Voted General Obligation Bonds” as permitted under RCW 35A.40.090 for the purpose of general purpose, open space and parks, and utility infrastructure. Voted issues are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose.
- **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation debt (LTGO), also known as “Non-Voted General Obligation Debt”, requires the City to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The City shall use Limited Tax General Obligation (LTGO) Bonds as permitted under RCW 35A.40.090 for general capital purposes only. General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund reserves and taxes collected by the City. LTGO Bonds will only be issued if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or,
  - Emergency conditions exist.
- **Revenue Bonds** – The City shall use Revenue Bonds as permitted under RCW 35A.40.090 for the purpose of financing construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Plan. No taxing power or general fund pledge is provided as security.
- **Special Assessment/Local Improvement District Bonds** – The City shall use Special Assessment Bonds as permitted under RCW 35A.40.090 for the purpose of assuring the greatest degree of public equity in place of general obligation bond where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the City. LID’s are formed by the City Council

- after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and an LID Guaranty Fund, as required by State Law.
- **Short Term Debt** – The City shall use short term debt as permitted under RCW 39.50, for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long term funding has been secured but not yet received. The City may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All inter-fund loans will be subject to Council approval and will bear interest at prevailing rates.
  - **Leases** – The City is authorized to enter into capital leases under 35A.40.090 RCW, subject to the approval of City Council.
  - **Public Works Trust Fund Loans** – The City shall use Public Works Trust Fund Loans as provided under RCW 43.155 for the purpose of repairing, replacing or creating domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste/recycling facilities and bridges.
  - **Local Option Capital Asset Lending (LOCAL) Program Debt** – The City is authorized to enter into a financing contract with the Office of the State Treasurer under RCW 39.94, for the purpose of financing equipment and capital needs through the State Treasurer's Office subject to existing debt limitations and financing considerations. The LOCAL Program is an expanded version of the state agency lease/purchase program that allows the pooling of funding into larger offerings of securities.

## SECTION IV – TRANSACTION SPECIFIC POLICIES

**Method of Sale** - The City shall evaluate the best method of sale for each proposed bond issue.

1. **Competitive Bid Method** – Any competitive sale of the City's debt will require the approval of City Council. City debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the City.
2. **Negotiated Bid Method** – When a negotiated sale is deemed advisable (in consultation with the Mayor and City Council) the Finance Director shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City.
  - If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions.
  - The City, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions

shall include prevailing terms and conditions in the marketplace for comparable issuers.

- No debt issue will be sold on a negotiated basis without an independent financial advisor.
3. The City shall use refunding bonds in accordance with the Refunding Bond Act, RCW 39.53. Unless otherwise justified, the City will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any “advance refunding”, unless otherwise justified. The City, in consultation with its Financial Advisor, may approve a “current refunding” transaction of an existing debt issue if the refunding demonstrates a positive present value savings over the remaining life of the debt.
  4. With Council approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an inter-fund loan as appropriate in the circumstances.
  5. When issuing debt, the City shall strive to use special assessment, revenue or other self supporting bonds in lieu of general obligation bonds.

### **Limitations on Debt Issuance**

1. The City shall remain in compliance with all debt limitations. As part of the annual budgeting process, a current summary of outstanding debt and compliance targets is prepared. The City shall observe the following limitations on debt issuance:
  - **General Obligation** – 2.5% of Assessed Value (RCW 39.36.020(2)(b))
    - **Non-Voted: 1.5%**
    - **Voted: 2.5%**
  - **Open Space and Park Facilities** – 2.5% of Assessed Value (RCW 39.36.020(4))
2. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligations bonds at or below 20 years, unless special circumstances arise warranting the need to extend the debt schedule.
3. Debt Limit Target: The City shall not exceed 90% of the legal debt limits from above.

### **Debt Structuring Practices**

The following terms shall be applied to the City’s debt transactions, as appropriate. Individual terms may change as dictated by the marketplace or the unique qualities of the transaction.

- **Maturity** –The City shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years (RCW 39.46.110).
- **Debt Service Structure** – Unless otherwise justified, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.

- **Price Structure** – The City’s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given market conditions.
- **Call Provisions** – For each transaction, the City shall evaluate the costs and benefits of call provisions. In general, the City shall opt for the shortest possible optional call consistent with optimal pricing.
- **Bond Insurance** – For each transaction, the City shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively priced.
- **Tax-exemption** – Unless otherwise justified and deemed necessary, the City shall issue its debt on a tax-exempt basis.
- **Reimbursement resolution** – Must be adopted by City Council if the project hard costs are advanced prior to the bond sale.

## **SECTION V – COMMUNICATION**

It is the policy of the City to remain as transparent as possible. The City shall manage relationships with the rating analysts assigned to the City’s credit, using both informal and formal methods to disseminate information.

- The City’s Comprehensive Financial Report (CAFR) shall be the primary vehicle for compliance with continuing disclosure requirements. The CAFR may be supplemented with additional documentation as required. Each year included in the CAFR, the City will report its compliance with debt targets and the goals of this Debt Management Policy.
- The City will issue a material event notice in accordance with provisions of SEC Rule 15c2-12. Prior to issuance of any material event, the Finance Director will discuss the materiality of any event with the Mayor, City Attorney and designated Council members, to ensure equal, timely and appropriate disclosure to the marketplace.
- The City shall seek to maintain and improve its current bond rating.

## **SECTION VI - COMPLIANCE**

### **Investment of Proceeds**

The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

### **Arbitrage Liability Management**

Due to the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the City shall solicit the advice of bond counsel and other qualified experts about

arbitrage rebate calculations. The City shall, when deemed necessary or required, contract with a third party for preparation of the arbitrage rebate calculation.

The City shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings by opening a separate account in the state pool. The expenditure of bond proceeds shall be tracked in the financial system by issue. Investments may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the City shall adhere to IRS rules on accounting allocations.

**Bond Users Clearinghouse**

The City shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by RCW 39.44.200 – 39.44.240 and WAC 365-130.

**Legal Covenants**

The City shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

**Periodic Policy Review**

At a minimum, the debt policy will be reviewed and updated every five years.

