

SECTION 6



APPENDIX



SECTION 6: APPENDIX

| | |
|--|---------|
| Budget Development Activities & Schedule | 201 |
| Ordinance 2018-39 (Adopting Two-Year Biennial Budget) | 202-205 |
| Resolution 2018-07 (Financial and Budget Policies) | 206-213 |
| Resolution 2008-14 (Debt Management Procedures & Policies) | 214-230 |
| Unfunded Mandates..... | 231 |
| IAM Pay Scale | 232-233 |
| Unrepresented Pay Scale | 234-235 |
| Police Guild Pay Scale | 236 |
| Priority Based Budgeting Program List..... | 237-242 |
| Glossary | 243-256 |
| Acronyms..... | 257-258 |
| Key City Contacts..... | 259 |



2019-2020 Budget Development Activities and Schedule

| Action Item | Date | Comment |
|---|-----------------------------|--|
| Update Financial Policies | March, 2018 | Resolution 2018-07 passed by council on March 27, 2018 |
| Cost allocation methodology update | Tuesday, June 12, 2018 | Presentation to Council |
| Capital Improvement Plan | | Presentation to Council |
| Financial capacity update | | Presentation to Council |
| Budget kick-off all hands meeting | Tuesday, June 19, 2018 | |
| City staff work to develop initial operating budget and capital budget information | July 9-27, 2018 | |
| Budget requests submittals | Friday, July 27, 2018 | Due to Finance from Departments |
| Mid-Year Report and forecasting | Tuesday, August 14, 2018 | Presentation to Council |
| Planning Commission recommendations on 2019-2020 CIP | Tuesday, August 28, 2018 | |
| City Staff complete final adjustments and balancing; production of budget documents | August-September | |
| Proposed Budget delivered to the public & City Council | Tuesday, September 25, 2018 | Presentation to Council |
| City Council deliberations | October-November | |
| 1st Reading 2019-2024 Capital Improvement Plan | | |
| 1st Reading 2019 Water and Sewer Rates | Tuesday, September 11, 2018 | |
| 2nd Reading and Public Hearing 2019 Water and Sewer Rates | Tuesday, September 25, 2018 | Ordinance 2018-37 and 2018-38 |
| 1st Reading 2019-2020 Biennial Budget | Tuesday, October 23, 2018 | |
| 1st Reading 2019 Property Tax Levy | Tuesday, October 23, 2018 | |
| 2nd Reading 2019-2024 Capital Improvement Plan | Tuesday, October 23, 2018 | Ordinance 2018-36 |
| 2nd Reading and Public Hearing on the 2019-2020 Biennial Budget | Tuesday, November 13, 2018 | |
| 2nd Reading and Public Hearing on 2019 Property Taxes | Tuesday, November 13, 2018 | Ordinance 2018-40 |
| 3rd Reading and Adoption of the 2019-2020 Biennial Budget | Tuesday, November 27, 2018 | Ordinance 2018-39 |

ORDINANCE NO. 2018-39

AN ORDINANCE of the City of Bainbridge Island, Washington, adopting the final budget of the City for fiscal years ending December 31, 2019, and December 31, 2020.

WHEREAS, on September 4, 2018, in accordance with state law, the budget was submitted to the City Manager with estimates of revenues and requests from all departments for expenditures for the fiscal years ending December 31, 2019, and December 31, 2020; and

WHEREAS, the City Manager reviewed the estimates and made such changes and/or additions as deemed appropriate, and on September 21, 2018, filed the revised preliminary budget with the City Clerk; and

WHEREAS, the preliminary budget was presented to the City Council at a Council meeting on September 25, 2018, and was discussed and considered subsequently by the Council at several Council meetings in October and November 2018; and

WHEREAS, a public hearing was held concerning the budget on November 13, 2018, for the purpose of providing information to, and hearing from, the public regarding the estimates and programs contained in the preliminary budget, and at which hearing all taxpayers were heard who appeared for or against any part of said budget; and

WHEREAS, the City Council, after hearing and duly considering all relevant information and testimony presented, and after making changes to the proposed budget as deemed necessary and proper, is prepared via this ordinance to adopt the final budget for fiscal years ending December 31, 2019, and December 31, 2020.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. The final budget for fiscal years ending December 31, 2019, and December 31, 2020, is hereby adopted in full. The entire budget document is to be placed on file with the office of the City Clerk for public inspection.

Section 2. Attached hereto and identified as Exhibit A (2019) and Exhibit B (2020), in summary form, are the totals of budgeted expenditures for each separate fund and the aggregate totals for all such funds combined.

Section 3. Because the amounts of revenues and expenditures to be recorded in the Building & Development Services Fund are not clearly fixed, and because the Building & Development Services Fund receives operating transfers from the General Fund, this budget authorizes additional amounts to be spent from the Building & Development Services Fund and to be covered by additional operating transfers from the General Fund, provided that the total expenditures for these two funds shall be no more than the amount authorized by this ordinance.

Section 4. A complete copy of the final budget for fiscal years ending December 31, 2019, and December 31, 2020, as adopted, together with a copy of this ordinance shall be transmitted by the City Clerk to the Division of Municipal Corporations of the Office of the State Auditor and to the Association of Washington Cities.

Section 5. This ordinance shall take effect on January 1, 2019.

PASSED by the City Council this 27th day of November, 2018.

APPROVED by the Mayor this 27th day of November, 2018.



Kol Medina, Mayor

ATTEST/AUTHENTICATE:



Christine Brown, City Clerk

| | |
|-----------------------------|-------------------|
| FILED WITH THE CITY CLERK: | October 19, 2018 |
| PASSED BY THE CITY COUNCIL: | November 27, 2018 |
| PUBLISHED: | November 30, 2018 |
| EFFECTIVE DATE: | January 1, 2019 |
| ORDINANCE NO.: | 2018-39 |

**CITY OF BAINBRIDGE ISLAND - 2019 ADOPTED BUDGET
SUMMARY BY FUND**

**Exhibit A
ORDINANCE NO. 2018-39**

| <u>CITY FUNDS</u> | <u>2019 EXPENDITURES</u> |
|------------------------------------|---------------------------------|
| 001 GENERAL FUND | 19,001,497 |
| 101 STREET FUND | 3,773,562 |
| 103 REAL ESTATE EXCISE TAX FUND | 3,082,372 |
| 104 CIVIC IMPROVEMENT FUND | 262,000 |
| 108 AFFORDABLE HOUSING FUND | 114,500 |
| 171 TRANSPORTATION BENEFIT FUND | 402,000 |
| 173 TRANSPORTATION IMPACT FEE FUND | 100,000 |
| 201 GO BOND FUND | 1,845,709 |
| 203 LID BOND FUND | 45,883 |
| 301 CAPITAL CONSTRUCTION FUND | 8,508,000 |
| 401 WATER OPERATING FUND | 2,974,120 |
| 402 SEWER OPERATING FUND | 5,450,131 |
| 403 STORM & SURFACE WATER FUND | 3,391,547 |
| 407 BUILDING & DEVELOPMENT FUND | 3,307,583 |
| 501 EQUIPMENT RENTAL & REVOLVING | 68,498 |
| TOTAL EXPENDITURES | <u><u>52,327,402</u></u> |

**CITY OF BAINBRIDGE ISLAND - 2020 ADOPTED BUDGET
SUMMARY BY FUND**

**Exhibit B
ORDINANCE NO. 2018-39**

| <u>CITY FUNDS</u> | <u>2020 EXPENDITURES</u> |
|------------------------------------|---------------------------------|
| 001 GENERAL FUND | 18,261,779 |
| 101 STREET FUND | 3,804,319 |
| 103 REAL ESTATE EXCISE TAX FUND | 3,117,748 |
| 104 CIVIC IMPROVEMENT FUND | 260,000 |
| 108 AFFORDABLE HOUSING FUND | 114,500 |
| 171 TRANSPORTATION BENEFIT FUND | 402,000 |
| 173 TRANSPORTATION IMPACT FEE FUND | 117,000 |
| 201 GO BOND FUND | 1,795,779 |
| 203 LID BOND FUND | 44,179 |
| 301 CAPITAL CONSTRUCTION FUND | 6,060,000 |
| 401 WATER OPERATING FUND | 2,819,553 |
| 402 SEWER OPERATING FUND | 4,569,126 |
| 403 STORM & SURFACE WATER FUND | 2,843,929 |
| 407 BUILDING & DEVELOPMENT FUND | 3,369,762 |
| 501 EQUIPMENT RENTAL & REVOLVING | 83,148 |
| TOTAL EXPENDITURES | <u><u>47,662,822</u></u> |

RESOLUTION NO. 2018-07

A RESOLUTION of the City of Bainbridge Island, Washington, establishing a consolidated set of updated financial and budget policies, updating policies adopted by the City during 2016.

WHEREAS, the City Council (“Council”) is responsible for setting financial policy for the City of Bainbridge Island (“City”); and

WHEREAS, state law, including Chapter 35A.33 RCW, provides guidance for budgets in Code Cities; and

WHEREAS, Chapter 35A.34 RCW authorizes cities to establish biennial budgets under which authorization, and the authorization of the Bainbridge Island Municipal Code (“BIMC”), including Chapter 2.82 BIMC, the City prepares a biennial budget with a mid-biennial review; and

WHEREAS, in the past, the Council has approved policies, and passed resolutions related to financial policies, that continue to guide City financial practices including, but not limited to: Resolution No. 1993-52, which establishes investment policies; Resolution No. 2008-01, which establishes an Emergency Rainy Day Reserve Fund and a Contingency Reserve within the General Fund; Resolution No. 2008-14, which establishes debt management policies; Resolution No. 2010-35, which set targets for General Fund reserves; Resolution No. 2013-13, which provides that funds from the City’s utilities shall not be expended for general governmental services; Resolution No. 2014-17, which sets a minimum fund balance policy for the General Fund; Resolution No. 2016-20 adopting a Municipal Securities Disclosure Policy, which establishes public disclosure rules for City-issued municipal securities; Resolution No. 2016-18, which establishes procedures for the surplus and sale of City real property; and Resolution No. 2016-19, updating the consolidated Financial Policies, and

WHEREAS, the City Administration (“Administration”) requested, as part of the 2019-2020 biennial budget process, that the Council update the financial and budgetary policies that were adopted by the City prior to 2018; and

WHEREAS, the Council last updated the financial and budgetary policies as Resolution 2016-19; and

WHEREAS, the Council and Administration wish to establish an ongoing consolidated set of Financial and Budget Policies (“Financial Policies”) to be administered by the Administration and to guide Council action on an ongoing basis.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND DO RESOLVE AS FOLLOWS:

Section 1. PURPOSE

The primary purpose of financial policies is to provide guidelines for the City Council and staff to use in making financial decisions that ensure core services are maintained and the Council's vision for the community is achieved.

The financial policies guide the City to be able to withstand local and regional economic variations, to adjust to changes in service requirements, and to respond to other changes as they affect the community.

It is the policy of the City to maintain an excellent credit rating and assure taxpayers that the City of Bainbridge Island is maintained in sound financial condition.

SECTION 2. OPERATING BUDGET POLICIES

The biennial budget is the City's comprehensive two-year financial plan, which supports the City's approved programs and services.

City programs and services support achievement of the following results, as identified and approved by the City Council:

- Green, Well-Planned Community
- Healthy and Attractive Community
- Reliable Infrastructure and Connected Mobility
- Safe City
- Vibrant Economy
- Good Governance

Biennial budgets should provide for design, construction, maintenance and replacement of the City's capital assets and equipment consistent with the Capital Facilities Plan including the related cost for operating new assets.

The City will maintain all its assets such that it protects the City's capital investment, preserves public safety, and minimizes future maintenance and replacement costs.

All general government current operating expenditures will be paid from current revenues and cash carried over from prior years.

The City shall adopt a balanced budget. The City defines a balanced budget as one in which current biennium budgeted revenues in addition to fund balances are equal to or greater than

current biennium budgeted expenditures. In addition, the City's budget shall maintain recurring expenditures for each fund at a level less than recurring revenues for that fund.

Reports on revenues and expenditures shall be prepared monthly and provided to the Council. Mid-year and annual reports will also be prepared and provided. These reports will also be posted to the City's website or reporting portal.

The City shall consider its financial capacity when making budget decisions. Staff shall deliver to Council a ten-year Financial Capacity Analysis as part of the biennial budget process. For each Financial Capacity Analysis, the financial assumptions shall be reasonable and shall take into account an appropriately chosen set of inflation factors and an appropriate set of economic projections. The Administration's chosen assumptions for revenues, expenditure inflation factors and economic measures shall be disclosed to the Council.

SECTION 3. REVENUES

The City will strive to maintain a diverse and stable revenue stream to protect against short-run volatility of any single revenue source.

Because revenues, especially those of the General Fund and other tax-supported funds, are sensitive to economic changes, the City will use a conservative approach to revenue forecasting.

Departmental revenues of the tax-supported funds shall be considered unrestricted revenue of the City – subject to any applicable legal restriction, and subject to any applicable provision of the Financial Policies, that may apply to a particular revenue source.

Revenues from the Commercial Parking Tax shall be treated as revenues of the Street Fund.

Real Estate Excise Tax revenue shall be first applied to current capital debt service and then, to the extent available, to other eligible expenses.

The City shall maintain a structure for all fees and charges where the beneficiary of the service pays the cost of that service except to the extent that the Council has determined that provision of the specific service in question provides a general public benefit.

On a periodic basis, Building and Development Services (B&DS) rates shall be reviewed, with a goal of full cost recovery for the B&DS Fund.

The City will maintain water, sewer and storm water utility rates adequate to ensure that each of these three utility funds is fully self-supporting. Additionally, for analysis and rate modeling

purposes, the proposed rates shall take into account debt service coverage commitments, if applicable. The capacity to support identified utility reserves will also be taken in to account.

SECTION 4. EXPENDITURES

The City budget will provide for a sustainable level of service to meet the City's identified results.

The City will maintain expenditure categories according to state statute and administrative regulation. Capital expenditures shall meet the requirements of generally accepted accounting principles (GAAP).

The City shall use major one-time revenue to fund capital improvements, debt reductions, or reserves. The use of one-time revenues to fund operating expenditures is strongly discouraged.

The Council shall review the Administration's recommended plan for the allocation of City costs to various funds as part of the biennial budget process.

As a general rule, when an expenditure is incurred for which both restricted and unrestricted fund balance is available, the City will consider the more restricted amounts to have been spent first.

On a periodic basis, the Administration shall compare the cash compensation and the value of benefits for City employee positions to the compensation and benefit levels to a set of comparable employers, to provide data for potential compensation and benefit policies which may be adopted by the Council.

SECTION 5. CAPITAL

The Capital Facilities Goals and Policies that are stated in the City's Comprehensive Plan, as amended from time to time, are hereby included in full in the Financial Policies.

The Capital Improvement Plan and the City operating budget will be reviewed at the same time to ensure that capital and operating needs are balanced with each other and support overall City goals.

The City shall develop a six-year plan for capital improvements and update it at least biennially.

The City will identify the estimated costs and proposed funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental assistance and outside resources whenever possible. In the event that a grant, or other type of

intergovernmental assistance, is identified as a funding source for a project and the outside funding is not secured, the City will reconsider the financial viability of that project at that time.

Each individual project included in the capital improvement plan (CIP) shall have a budget with identified contributions by fund. Each fund amount shall be distinct and cannot be transferred without amending the CIP. Reporting will be presented at the project and fund level.

When a capital project is complete and has been capitalized in accordance with Generally Accepted Accounting Principles, any remaining project budget appropriation authority shall lapse and all remaining funds shall return to their original source.

SECTION 6. RESERVES

Reserve funds enable the City to deal with unforeseen emergencies and changes in economic conditions.

General Fund Reserves

Emergency Reserve: The City shall maintain an Emergency Reserve with a budgetary target amount of \$1.0 million. These funds shall be used only to pay for emergencies that cannot reasonably be accommodated by current budget appropriations. These funds may be appropriated only by a vote of not less than five (5) members of the City Council or the unanimous vote of a legal quorum. It is the Council's policy that if funds are spent from the Emergency Reserve, it should be replenished as resources become available.

General Fund Minimum Fund Balance. The City shall maintain a minimum fund balance of 25% of ongoing revenues in the General Fund. The General Fund minimum fund balance shall mean the dollar amount of unencumbered fund balance, excluding any amounts held in reserves or otherwise committed funds. This fund balance is intended to provide stability in the event of unexpected changes to revenues or expenses.

Utility Fund Reserves

Capital Contingency Reserve. Each utility fund shall maintain a separate capital contingency reserve. Each reserve shall have a targeted level of at least one percent (1%) of the utility system's capital assets at net book value. The primary purpose of the reserve is to provide a ready source of cash in case of an emergency, should a major piece of equipment or a portion of the utility's infrastructure fail unexpectedly.

Operating Reserve – Water and Sewer Funds. These reserves shall have a targeted level as of each year-end of at least sixty (60) days' operating expenses. The primary purpose of the reserve

is to provide cash for operations in case of seasonal variations in revenue or expenses, or to support operations in a year in which revenues are abnormally low.

Operating Reserve – Storm and Surface Water Management Fund. This reserve shall have a targeted level as of June 30 and December 31 of at least 90 days' operating expenses. The primary purpose of the year-end reserve is to provide cash for operations during the period between the payment of the fees, which occurs in two large payments in April and October.

Restricted Debt Reserve. To the extent that the City issues a form of debt (e.g. Revenue Bonds) that requires the City to maintain a restricted cash reserve during the term of the debt repayment period, the utility shall maintain a restricted reserve for such purpose. This reserve is to safeguard the purchasers of the utility's debt, and may be used to fund the final installment or last year's debt service.

SECTION 7. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

The City will establish and maintain a high standard of internal controls and accounting practices. The City accounts and budgets for revenue and expenditures on a modified accrual basis for general government and enterprise activities. Year-end financial statements for enterprise activities shall use full accrual accounting.

The accounting system will maintain records on a basis consistent with accepted national standards for local government accounting and the Washington State Auditor's Budgeting, Accounting and Reporting System.

The annual financial statements shall conform to Generally Accepted Accounting Principles (GAAP) and be in the form of a Comprehensive Annual Financial Report as recommended by the Government Finance Officers Association.

A capital asset system will be maintained to identify all City assets and their location.

The City will ensure that City records are audited annually, resulting in a financial opinion. The results of the audit will be available to the public through the City's website.

SECTION 8. DEBT

The City's Debt Policy, as it may be amended from time to time, is hereby included in the Budget Policies.

SECTION 9. INVESTMENT

The City’s Investment Policy, as it may be amended from time to time, is hereby included in the Financial Policies.

SECTION 10. BANKING AND MONEY MANAGEMENT

Safety

The City shall engage in relationships, and conduct its business, with one or more banks, repositories of public pooled funds, and financial institutions in a manner that avoids concentrating City balances in a way that may expose the City to material losses in the event of an adverse development affecting any bank or financial institution in which City assets are held.

Money Management

The City Administration shall seek to form relationships with banking and financial institutions that offer the City efficient and effective tools and technologies to manage and track transactions and balances.

SECTION 11. MUNICIPAL SECURITIES DISCLOSURE

The City’s Municipal Securities Disclosure Policy, as it may be amended from time to time, is hereby included in the Financial Policies.

SECTION 12. SURPLUS REAL PROPERTY

The City’s Surplus Real Property Policy, as it may be amended from time to time, is hereby included in the Financial Policies.

SECTION 13. PROCUREMENT POLICY

The City’s Procurement Policy, as it may be amended from time to time, is hereby included in the Financial Policies.

PASSED by the City Council this 27th day of March, 2018.

APPROVED by the Mayor this 27th day of March, 2018.

By: 
Kol Medina, Mayor

ATTEST/AUTHENTICATE:

By: 
Christine Brown, City Clerk

FILED WITH THE CITY CLERK:

March 2, 2018

PASSED BY THE CITY COUNCIL:

March 27, 2018

RESOLUTION NO.:

2018-07

RESOLUTION NO. 2008-14

A **RESOLUTION** of the City of Bainbridge Island, Washington, establishing Debt Management Procedures and Policies.

WHEREAS, the City seeks to develop financial procedures and policies that are fiscally prudent and that incorporate principals of budget sustainability, and

WHEREAS, the City seeks to establish conditions for the use of debt and to create procedures and policies that minimize the City's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting; now therefore,

THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND DOES RESOLVE AS FOLLOWS:

PART I -- DEBT ADMINISTRATION AND PROCESS

- 1. Role of Finance Committee.** The Finance and Personnel Committee will provide advice to the Mayor, City Council, and Director of Finance in all matters pertaining to the incurrence of debt. The Finance and Personnel Committee also has oversight of these Debt Policies, and will recommend amendments from time to time to the Mayor and City Council.
- 2. General Rules.** Neither the City, nor any City department, agency, nor unit will incur indebtedness without the approval of the City Council. Any proposal to finance a capital project that involves a pledge or other extension of the City's credit through a sale of bonds or notes, the execution of loans or leases, marketing guarantees, or otherwise involving directly or indirectly the lending or pledging of the City's credit, shall be reviewed through the Budget process. In addition, a review of proposed funding sources (including, by way of example, debt) shall be a regular feature of the City's Capital Facilities Plan process; however, the adoption of a Capital Facilities Plan shall not bar the City from incurring debt at a level that differs from the Plan to the extent that the City Council subsequently approves a debt issuance, in connection with its Budget process (including any Budget amendments that may be adopted from time to time throughout the year), that differs in amount from the CFP of record.
- 3. Requests for Debt Financing.** It is the policy of the City to utilize debt financing only for capital projects (potentially including hard costs and/or soft costs of a Council-approved capital project), but not for operating expenses. Any proposal to finance a capital project with debt issued by the City will be presented to the City Council through the Budget and Capital Facilities Plan process with additional detail described below. The requests for debt financing must specify the purpose of the borrowing, any options for financing the project without borrowing, and specific sources of payment of debt service. It should include, as specified by the Director of Finance, a detailed project budget, specifying sources and uses. The bond or other indebtedness will be considered to have been authorized for purposes of compliance with RCW 35A.33.130 as of the date of the approval by the Council of the applicable budget ordinance for the year in which the bond or other debt is to be issued.
- 4. Preparation for Bond Sale.** After obtaining approval by the City Council through the Budget process, the Director of Finance, the City Attorney and the City's bond counsel will produce appropriate ordinance(s) and resolutions for review and approval by the City Council. At the earliest possible date in any Budget Year a Reimbursement Resolution will be prepared by the Finance

Director for review by the Finance Committee and subsequent presentation to the City Council which will detail all projects to be funded through each respective debt issuance.

5. **Scheduling.** The Director of Finance is responsible for creating a schedule for the issuance of bonds or notes by the City in consultation with the City's financial advisor and bond counsel. For the purpose of minimizing transaction costs and achieving efficiencies, effort will be made to consolidate the issuance of debt into as few transactions per year as is feasible, consistent with the cash flow needs of the City. A preliminary schedule will be provided to the members of the Finance and Personnel Committee as soon as practical after such a schedule is determined by the Director of Finance.
6. **Preparation of Official Statement.** The members of the Finance and Personnel Committee will be provided with copies of the preliminary official statement for review and comment prior to its publication.
7. **Bond Ordinance.** All ordinances authorizing issuance of bonds or notes are to be presented to the City Council for first reading at least two weeks before the scheduled sale date. At first reading, public comment will be afforded, and the City Council will hear a presentation from the Director of Finance, and the City's bond counsel and financial advisor will be available to answer questions. It is understood that at the time of Council's final consideration (i.e., second reading) of the bond ordinance, which shall not be later than the day prior to the sale date of the bonds, an offer to purchase the bonds will be presented to the City contingent on the Council's adoption of the ordinance with no changes, and thus any concerns or amendments to the authorizing ordinance should be raised by the Council at the time of first reading. Not later than the day prior to the sale date, at the second reading, the final ordinance will be presented to the City Council, and a black-lined version will be made available showing the changes.
8. **Closing and Post-Issuance Compliance.** The Director of Finance and the Mayor will participate in the closing of each bond issue. The Director of Finance will take such actions as may be required to monitor the City's ongoing compliance with federal tax and arbitrage regulations, continuing disclosure obligations and covenants contained in the bond documents.

PART II – DEBT MANAGEMENT POLICIES

CREDITWORTHINESS OBJECTIVES

Policy 1. Credit Ratings.

The City of Bainbridge Island seeks to maintain the highest possible credit ratings for all categories of short- and long-term General Obligation debt that can be achieved without compromising delivery of basic City services and achievement of adopted City policy objectives.

The City recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Nevertheless, the Mayor and City Council are committed to ensuring that actions within their control are prudent and consistent with the highest standards of public financial management, and supportive of the creditworthiness objectives defined in this policy.

Policy 2. Financial Disclosure.

The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting disclosure requirements on a timely and comprehensive basis. Official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuing disclosure statements will meet (at a minimum) the standards articulated by the Municipal Standards Rulemaking Board (MSRB), the Government Accounting Standards Board (GASB) (to the extent applicable to Washington code cities), the National Federation of Municipal Analysts (NFMA), the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP). The Department of Finance shall be responsible for ongoing disclosure to established national information repositories (NRMSIRs) and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

Policy 3. Capital Planning.

To enhance creditworthiness and prudent financial management, the City of Bainbridge Island is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning will be demonstrated through adoption and periodic adjustment of a Comprehensive Plan pursuant to the Growth Management Act and the adoption of a Six-Year Capital Facilities Plan. The City is committed to public participation in establishing a Capital Facilities Plan and to identifying sources and uses of funds in each such plan at the project level.

Policy 4. Councilmanic Debt Capacity and Reserve.

The City will keep outstanding debt within the limits prescribed by State statute and at levels consistent with its creditworthiness objectives. The City will reserve \$30 million of limited tax (councilmanic) general obligation debt capacity, or 25% of the total legal limit (which statutory limit is 1.5% of total city-wide assessed value), whichever is larger, for emergencies. For purposes of this policy, an "emergency" means a situation which the City Council has determined to be an emergency for purposes of this policy, such as responses to major natural disasters or other significant threats or disruptions to City infrastructure or to public health or safety.

Policy 5. Net Councilmanic Debt Service.

The City will monitor and limit the net debt service being paid from the Tax Supported Funds. "Net debt service" is defined as the total annual debt service on limited tax general obligation (councilmanic) debt minus any revenues generated by the debt-financed projects to pay this debt service. Except in emergencies (as defined in Policy 4), additional councilmanic debt shall not be issued to the extent it would cause the net debt service that would become payable from the Tax Supported funds to exceed 25% of the total budgeted Tax Supported funds revenues for the current year or a subsequent year.

Policy 6. Annual Debt Report.

The Department of Finance shall prepare an annual report on City debt and present it to the Council at the time the Mayor submits his or her Proposed Budget. This report will describe any bond issues planned for the coming year and will describe bonds issued to date during the current year. The report shall also provide historical and projected information on debt, including debt capacity and debt service analyses. The report will cover all forms of City debt, including utility debt, and debt guarantees.

PURPOSES AND USES OF DEBT

Policy 7. Capital Financing.

The City will normally rely on existing funds, project revenues, and grants from other governments to finance capital projects or major maintenance, equipment acquisition, and small development projects. Debt may be used for capital projects only when (a) a project generates revenues over time that are used to retire the debt, (b) debt is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries, or (c) in emergencies. Debt may not be used for non-capital purposes. Debt may be used not only for hard construction and implementation costs, but also for services to specify the scope, engineering or design, or to manage the implementation, of a capital project planned by the Council, but debt may not be used for analysis of the feasibility of a project.

Policy 8. Asset Life.

The City will consider the use of debt for the acquisition, development, replacement, maintenance, or expansion of an asset only if it has a useful life of at least five years. Debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

Policy 9. Use of Councilmanic (LTGO or Nonvoted) Debt.

Before issuing limited tax general obligation (LTGO) debt, the City will consider all other financing alternatives or funding sources, including non-debt financing.

The City will use limited tax general obligation debt only:

- If the debt service will be payable from a specified revenue source (such as a new non-property tax revenue source, a voter-approved property tax increase, or project revenues) which is expected to be sufficient to pay at least a substantial portion of the debt service (as determined by the Finance Committee); or
- If the project is expected to significantly reduce City operating costs within the first five years; or
- If an equal or greater amount of non-City matching funds will be lost if City LTGO funds are not applied in a timely manner; or
- Under catastrophic or emergency conditions; or
- If the project to be financed either (i) is a project in the City's Capital Facilities Plan for which the Council has designated LTGO debt as a funding source, (ii) provides essential City services, or (iii) would so advance core City policy objectives such that its importance exceeds the value that would be added by seeking voter approval.

Policy 10. Issuance of Voted (UTGO) Debt.

The Department of Finance will identify, in the annual capital facilities plan update, potential candidates for voter-approved financing and will work with the Mayor and City Council to develop an election plan as far in advance of the proposed financing date as practical.

Policy 11. Use of Revenue Debt.

Revenue bonds shall be issued only when projected operating revenues are insufficient to meet the enterprise's financing needs. Each enterprise fund will maintain an adequate rate structure to cover the full cost of its operations including: maintenance, depreciation, capital and debt service. The City will insure that net operating revenues constitute a minimum of 1.25 times the annual debt service requirements. Net revenue is defined as Gross Revenue less Maintenance and Operation Expense where Maintenance and Operating Expenses are defined as all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition, including payments made to any other municipal corporation or private entity for water service and for sewage treatment and disposal service or other utility service in the event the City combines such service into the Waterworks Utility and enters into a contract for such service, but not including any depreciation or taxes levied or imposed by the City or payments to the City in lieu of taxes, or capital additions or capital replacements to the Waterworks Utility.

Policy 12. Second Lien Debt

The City will issue second lien debt very rarely, and only if it is financially beneficial to the City and consistent with creditworthiness objectives.

Policy 13. LIDs.

The City may issue notes, interfund certificates, or other financial instruments as necessary to finance Local Improvement Districts (LIDs) or Business Improvement Districts (BIDs) or other special purpose financing as authorized by the City Council.

Policy 14. Capital Leases.

The City may consider entering into long-term capital leases on the same basis as it considers councilmanic debt, and such proposals must be considered through the City's Budget and Capital Facilities Plan processes. Consistent with RCW 35.42.030, capital leases may not exceed 50 years (unless otherwise authorized by state law), may be subject to renewal and may include an option to purchase. For purposes of Policy 4, payments on a capital lease do not count as "debt" unless the City has entered into an arrangement for the issuance of Certificates of Participation or has otherwise securitized its payment obligation on that lease (in which case only those portions of each lease payment allocated as principal will be counted as "debt"). Nonetheless, for purposes of compliance with RCW 35.42.200, if the aggregated portions of lease payments over the term of the lease that are allocable to principal would cause the City to exceed its statutory debt limit for councilmanic debt, the question of whether to execute the lease must be submitted to the voters.

Policy 15. Short-term Borrowing.

Except for LIDs and similar situations, the use of short-term borrowing, such as bond anticipation

notes (BANs) and tax-exempt commercial paper will be undertaken only if the transaction costs plus interest of the debt are less than the cost of an interfund loan, or available cash is insufficient to meet working capital requirements.

Policy 16. Public-Private Partnerships; Debt Guarantees.

The City may consider, on a case-by-case basis, the use of its debt capacity for legally allowable capital projects by public development authorities, non-profit housing agencies and special purpose units of government, so long as total City debt guarantees do not exceed 15% of the City's total legal authority for non-voted general obligation debt and so long as the guarantees do not infringe on the debt capacity reserve established in Policy 4. City participation in such projects will be considered only if consistent with statutory and constitutional authority and only:

- After the prior commitment of the full assets and resources of the project developer (or the project, as appropriate) to debt service coverage;
- If project revenues (or development authority revenues, as appropriate) pledged to debt service, are at least equal to debt service (average coverage of 1.0 during the term of the debt);
- If debt service reserves are provided by the development authority's own resources and are equal to at least six months' debt service;
- If all other viable means of financing have been examined, including, but not limited to, revenue debt, letters and lines of credit, and extension of credit by other governmental agencies; and
- After completion of a fiscal review and approval by the City Council.

DEBT STANDARDS; STRUCTURE; METHOD OF SALE

Policy 17. Length to Maturity.

Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users.

Policy 18. Debt Structure.

To the extent possible, the City will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. To this end, the City will strive to repay at least 18% of the principal amount of its total general obligation debt within five years and at least 35% within ten years.

Policy 19. Net Cost

Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, net revenues expected from the project (if any), and the nature and type of security provided.

Policy 20. Level Cost

The City will seek to structure debt with level principal and interest costs over the life of the debt. "Back loading" of costs will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of the debt prohibitive, the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present, such

structuring is beneficial to the City's overall amortization schedule, or such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

Policy 21. Method of Sale.

In general, negotiated sales of debt will be used for issuances smaller than \$3 million par value and will be considered in those circumstances when the complexity of the issue requires specialized expertise, when the negotiated sale would result in substantial savings in time or money, or when market conditions or City credit are unusually volatile or uncertain.

In general, competitive bidding is the preferred method of sale except in those circumstances when the complexity of the issue requires specialized expertise, when the negotiated sale would result in substantial savings in time or money, or when market conditions or City credit are unusually volatile or uncertain. Bids will be awarded on a true interest cost basis (TIC), provided other bidding requirements are satisfied. In the unlikely event that the City receives more than one bid with identical TICs; the tie may be broken by a coin toss. In instances where the City, in a competitive bidding, deems the bids received unsatisfactory, the Director of Finance may enter into negotiation for sale of the securities.

Policy 22. Refundings.

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or if the refunding is valuable in order to modernize covenants to thereby improve operations and management.

In general, the Director of Finance shall report to the Finance Committee whenever there are opportunities for advance refundings that will provide a net present value savings of at least 5% of the refunded debt (taken as a whole and not on a maturity-by-maturity basis) can be achieved. Current refundings which produce a net present value savings of less than 5% may be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective.

Policy 23. Credit Enhancements.

Credit enhancement (letters of credit, bond insurance, etc.) may be used, but only when net debt service on the bonds is reduced by more than the costs of the enhancement.

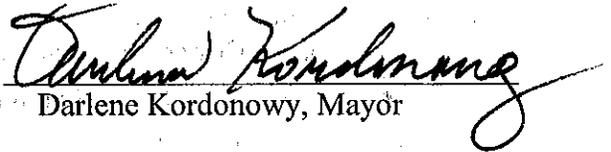
Policy 24. Arbitrage Compliance.

The Director of Finance shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

PASSED by the City Council this 13th day of August, 2008.

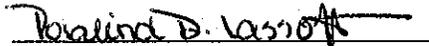
APPROVED by the Mayor this 20th day of August, 2008.

By:


Darlene Kordonowy, Mayor

ATTEST/AUTHENTICATE:

By:


Rosalind D. Lassoff, CMC
City Clerk

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
RESOLUTION NO.

April 1, 2008
August 13, 2008
2008-14

Bond Basics Glossary

Acceleration – A remedy for default that allows the bondholder or lender to declare the unpaid balance immediately due and payable.

Ad Valorem Tax – Property tax.

Additional Bonds Test – A covenant that an issuer will not issue new additional bonds that will have a claim to revenues already pledged to outstanding bonds, unless certain financial or other requirements are met.

Advance Refunding – Issuance of new bonds to repay an outstanding bond issue prior to its first call date in order to capture savings (in the form of a lower interest rate), or to change covenants or other provisions. Generally, the proceeds of the new issue are invested in government securities, which are placed in escrow. The trustee or escrow agent uses these maturing government securities to pay interest the old issue until its first call date, at which point it is called and repaid.

Agreement Among Underwriters (AAU) – The contract set up between members of an underwriting syndicate, stipulating the activities of each member.

Amortization Schedule – The schedule of principal and interest payments for the elimination of debt.

Appropriation – An authorization by a legislative body to set aside cash for a specific purpose.

Arbitrage – The practice of buying and selling in different markets to profit from a spread in prices or yields resulting from market conditions. Except in limited circumstances, municipal issuers are generally prohibited from selling bonds in the tax-exempt market, and turning around to invest the proceeds in higher-yielding taxable market in order to earn profits. Any such arbitrage profits must be rebated to the U.S. Treasury.

Assessment Bonds (or Local Improvement District Bonds) – Bonds the repayment of which is secured by special assessments paid by property owners whose property receives a special benefit from the bond-financed improvement.

Auction Rate Securities (ARS) – Variable rate securities in which the interest rate is reset periodically (daily, weekly or monthly), based on the results of a dutch auction.

Average Annual Debt Service (AADS) – The average amount of total debt service due in each year over the life of the bonds.

Average Life – The average length of time an issue of bonds with mandatory sinking funds is expected to remain outstanding.

Baby Bond – A denomination issued in less than \$1,000, also known as a mini-bond.

Balloon Maturity or Balloon Payment – An large proportion of bond principal maturing in a single year.

Back-Loaded Debt – A debt service structure in which total debt service payments are lower in the early years and increase toward the final maturity. This is typically accomplished with smaller principal maturities in the early years, balloon payments, “zero-coupon” bonds or capitalized interest bonds.

Bank Qualified (BQ) – Bonds issued by municipalities that anticipate selling less than \$10 million in bonds in a given calendar year. Certain financial institutions that buy these securities are allowed to deduct 80 percent of the interest expense incurred to buy them.

Basis point – One one-hundredth of a percent (0.01%). One hundred basis points equal 1 percent. Used in discussing the pricing and yields of bond issues.

Blue Sky Law – A term referring to various state laws enacted to protect the public against securities fraud.

Bond – A promise by an issuer to repay a stated principal amount, which obligation will accrue interest at a stated rate. Bonds typically have an average life of 3 years or more. Securities with shorter maturities are termed notes (3 years or less) or commercial paper (12 months or less).

Bond Anticipation Note (BAN) – A short-term borrowing (usually 3 years or less) that the issuer anticipates retiring with the proceeds of a bond sale. Typically used during a construction period before final costs are known. *See also Tax Anticipation Note (TAN), Revenue Anticipation Note (RAN), Tax and Revenue Anticipation Note (TRAN), Grant Anticipation Note (GAN).*

Bond Bank – State bond banks bundle debt offerings from small issuers into larger offerings, to create advantages of scale.

Bond Counsel – A lawyer who typically represents the bond issuer, reviews the transaction, and writes an opinion on its legality, security, and tax status.

Bond Election – The process by which voters approve or reject the sale of unlimited tax general obligation (UTGO) bonds.

Bond Fund – An issuer's debt service repayment fund, into which all money collected for the repayment of bonds is deposited.

Bond Insurance – A policy written by a mono-line insurance company that guarantees payment to bondholders of principal and interest payments when due, resulting in a higher credit rating, lower borrowing cost, or enhanced marketability for the bonds.

Bond Ordinance or Bond Resolution – A legal document describing the terms and conditions of the offering, the rights of the bondholder, and the obligations of the issuer.

Bond Proceeds – The amount of money received by the issuer in exchange for an issue of bonds.

Bond Purchase Agreement (BPA) or Bond Purchase Contract (BPC) – The contract between the issuer and the underwriter setting the terms, prices, and conditions of the sale.

Bond Rating – The series of letters, numbers, and symbols used by rating agencies to designate the credit quality of an issuer's securities.

Bond Register – A record, kept by a transfer agent or bond registrar on behalf of an issuer, of the names and addresses of registered bond owners.

Bond Registrar – The person or entity who maintains the bond register. In Washington, typically the State's Fiscal Agent (currently The Bank of New York) acts as registrar for most governmental issuers. A trustee, treasurer or finance officer may alternatively be appointed as bond registrar.

Bond Transcript – The legal documents associated with a bond offering.

Bonded Debt – The portion of an issuer's total indebtedness as represented by outstanding bonds.

Book-Entry – Securities in the form of entries in the issuer's or a clearing house's books, rather than in the form of paper certificates with coupons. All but the smallest bond issues are sold in book-entry format.

Bond Basics Glossary

Broker – An agent between buyers and sellers of securities. Brokers' brokers handle inter-dealer transactions.

Calendar – The list of upcoming bond sales.

Call Provision – A provision permitting an issuer to redeem a bond prior to its stated maturity date.

Call Premium – An amount, usually stated as a percentage of the principal amount, paid as a "penalty" or a "premium" for the exercise of a call provision.

Callable Bonds – Bonds that may be redeemed by the issuer prior to the stated maturity date. Typically, a first call date is 10 years from issuance, at a price of par plus interest accrued to the call date. Other call provisions (and premiums) can be negotiated.

Capital Appreciation Bond (CAB) – A bond purchased at a deep discount to face value, for which principal and all interest are due at maturity. Also called a capitalized interest bond or compound interest bond.

Closing – The point in the sale at which an issuer delivers securities to the underwriters, and receives the proceeds.

Competitive Sale or Competitive Bid – The sale of bonds to a purchaser based on bids submitted electronically at a specified time.

Conduit Financing – A financing structure in which an issuer sells bonds and then lends the proceeds, pursuant to a loan agreement, to a borrower. The bond issuer promises to repay the bonds using the loan repayment amounts received from the borrower.

Contingent Loan Agreement – A form of credit enhancement whereby an entity independent of the issuer agrees to provide credit enhancement to an issuer in the form of one or more loans. For example, a public development authority (PDA) may obtain a guarantee from the city that created it that if the PDA is unable to make debt service payments, the city will provide additional funds to the PDA to be used for that purpose. See also *Guaranty Agreement*.

Continuing Disclosure – An issuer's obligation to provide ongoing updates of information regarding the issuer's financial condition, pursuant to a written Undertaking to Provide Continuing Disclosure, to the NRMSIRs and other specified market participants.

Councilmanic Debt – Bonds authorized to be issued by a City Council (or other local governing body) without a vote of the people.

Coupon – The rate of interest to be paid by the issuer. Formerly, physical coupons were attached to bond certificates. They would literally be clipped and brought to a bank or paying agent and presented for payment. Such certificated bonds are very rare today.

Covenant – A legally binding commitment by the issuer to the bondholder.

Cover Bid – The second-best bid received at a competitive sale.

Coverage – A ratio of the amount of project or utility revenues to the expected debt service requirements during a given 12-month period. Typically expressed in a covenant as a promise, e.g., to keep utility rates high enough to produce 1.25 times average annual debt service.

Credit Enhancement (or Credit Support) – Additional security provided for an issue of bonds. Examples of credit enhancement include bond insurance, guarantee agreements, contingent loan agreements, and letters of credit.

Dated Date – The date from which interest on a bond will accrue, usually the issue date.

Bond Basics Glossary

Debt Per Capita – The ratio of bonded debt divided by population.

Debt Service Reserve Fund (DSRF) – A separate fund established in revenue bond issues as a reserve for the payment of debt service, into which an issuer may typically deposit cash, securities or reserve sureties. *See Reserve Requirement.*

Default – Failure to comply with terms of a bond issue, which may include making timely payment of principal and interest and other covenants.

Defeasance – Placement of cash or securities into an escrow or trust account to be used by the escrow agent or trustee for the payment of principal of and interest on bonds when due. Defeased bonds are no longer treated as “outstanding” debt.

Discount Bonds – A bonds initially sold at a price that is less than par, meaning that the issuer receives less in payment than the stated face value of the bonds. The amount of premium is usually described as a percentage below par. (For example, a \$100,000 face value bond might sell for 99% or \$99,000.) A purchaser buying discount bonds must consult their tax advisor regarding the tax treatment of discount bonds.

Double-Barreled Bond – A bond with two distinct revenue sources pledged to repayment, most typically a specific (but often narrow and subject to fluctuation) revenue stream and a broader stream such as a general obligation pledge.

Downgrade – A reduction in a bond rating.

Dutch Auction – An auction at which purchasers submit bids stating the lowest interest rate they will accept for a stated amount of bonds, and bonds are distributed among the purchasers, beginning with the lowest bidder, at the price bid by the last bidder to receive an allocation (the “clearing price”). Bids will be filled from the lowest yield (price offering the highest premium) until the entire issue has been allocated. In the following example, bids for \$10 million of bonds maturing in ten years with a 5.125% coupon might be received as shown below. This auction will “clear” (i.e., all of the \$10 million will have been allocated) 5.130% and the bonds will be sold at a price reflecting the bid yield:

| Bidder | Bid Amount | Yield Bid | Allocation Received | Yield |
|--------|--------------|-----------|---------------------|---------|
| 1 | \$ 1,000,000 | 5.115% | \$ 1,000,000 | 5.130 % |
| 2 | 2,500,000 | 5.120 | 2,500,000 | 5.130 |
| 3 | 3,500,000 | 5.125 | 3,500,000 | 5.130 |
| 4 | 4,500,000 | 5.130 | 3,000,000 | 5.130 |
| 5 | 3,750,000 | 5.135 | -- | -- |
| 6 | 2,750,000 | 5.140 | -- | -- |
| 7 | 1,500,000 | 5.145 | -- | -- |
| TOTAL | | | \$ 10,000,000 | |

Escrow Account – A trust account established for a particular purpose, typically in conjunction with a refunding or defeasance of bonds.

Face Amount – The principal amount stated on a bond. *See also Par Value.*

Federal Tax Code (or Code) – The Internal Revenue Code of 1954, as amended, and related interpretations.

Financial Adviser (FA) – A finance professional hired to advise an issuer on finance matters including structuring of a proposed transaction, appropriateness of issuing debt and related issues.

Floating Rate Bond or Floater – An obligation bearing interest at a variable rate that is reset periodically, ranging from daily to annually.

Flow of Funds – Typically a covenant requiring amounts to be paid into and out of specific funds in a particular order, ensuring that available money is applied first to the highest priority uses.

Full Faith and Credit – A pledge of any and all resources available to an issuer, including general taxing power, to repay its debt obligations.

General Obligation (GO) – A security backed by the full faith and credit of a municipality. General obligation debt is typically thought of as being backed by *ad valorem* property taxes. *See also Limited Tax General Obligation and Unlimited Tax General Obligation.*

Grant Anticipation Note (GAN) – Short-term debt (usually three years or less) that is issued in anticipation of receiving a grant and is secured by those grant funds.

Gross Revenues – Typically includes all revenues received by a project (or an issuer) before payment of expenses for operation, maintenance or debt service.

Guaranteed Investment Contract (GIC) – An investment vehicle in which a financial institution guarantees a specified rate of return on investment. In Washington, true GICs are rare, and more commonly issuers invest bond proceeds in repurchase agreements (or “repos”) in which a financial institution sells investment securities to the issuer and promises to repurchase those securities at a definite time in the future for a stated price.

Guaranty (Guarantee) Agreement – A form of credit enhancement whereby an entity independent of the issuer agrees to provide credit enhancement to an issuer. For example, a public development authority (PDA) may obtain a guarantee from the city that created it that if the PDA is unable to make debt service payments, the city will provide additional funds to the PDA to be used for that purpose. *See also Contingent Loan Agreement.*

Indenture or Trust Indenture – A legal document creating a “trust estate” comprising the security for repayment of bonds. The indenture describes the terms and conditions of a bond offering, the rights of the bondholder, and the obligations of the issuer to the bondholder. Typically used in revenue transactions, and replaced by a bond ordinance or bond resolution for most general obligation bonds.

Industrial Development Bond (IDB) (or Industrial Revenue Bond (IRB)) – Tax-exempt securities sold by a public agency to finance qualifying facilities for private enterprises, such as water and air pollution control, ports, airports, resource recovery plants, and housing. The bonds are usually repaid by revenues from the corporate beneficiary.

Interest Rate Swap – An agreement between two parties to exchange future flows of interest payments. One party agrees to pay the other a fixed rate; the other pays the first party a variable rate usually tied to a short-term index.

Inverted Yield Curve – A market environment when short-term interest rates are higher than long-term rates. A typical yield curve shows lower short-term interest rates and higher long-term rates.

Junior Lien Bonds – Bonds issued with a subordinate claim against pledged revenues. Not associated with general obligation bonds.

Lease Financings – A financing structure in which an issuer enters into a lease for equipment and/or facilities that it typically will acquire at the end of a stipulated period.

Legal Opinion – The written conclusion of a lawyer about a bond’s security, legality, and tax status.

Letter of Credit (LOC) – A form of security that provides liquidity and credit support, primarily for variable rate transactions. A financial institution promises to make cash available under certain conditions for debt service payments on behalf of the issuer or to be drawn during a remarketing or mode reset of variable rate demand obligations.

Level Debt Service – A debt service structure in which total principal and interest payments are approximately equal in each year over the life of the debt.

Limited Tax General Obligation Bonds (LTGOs) – A general obligation bond that is secured by the pledge of the full faith and credit of an issuer, including *ad valorem* tax revenues, all within the property tax limits under the state constitution and state law without a vote. *See also Councilmanic Debt or Nonvoted Debt.*

Line of Credit – A type of debt instrument in which a borrower may draw funds, up to a maximum amount, and repay the principal plus interest, which is usually a variable rate that is set at the time a draw is made. Frequently used for short-term notes and during construction periods.

Mandatory Redemption – A required redemption of bonds or a portion of a maturity of bonds, prior to the stated maturity. Used with term bonds or under extraordinary circumstances such as a default or sale of bond-financed property.

Maturity – The date on which the principal amount of a security is due and payable.

Maximum Annual Debt Service (MADS) – The highest total debt service due in any given year over the life of a bond issue.

Mode or Interest Rate Mode – Provision in bond documents permitting a change in how interest is calculated, permitting changes between fixed rate and variable rate options, under specified circumstances.

Multi-Modal Bonds – A bond issue in which the method of calculating interest may be changed from one interest rate mode to another under specified circumstances.

MSRB – The Municipal Securities Rulemaking Board.

Negotiated Sale – The sale of bonds to an underwriter selected by the issuer before the sale date.

Net Interest Cost (NIC) – Represents the average coupon rate of a bond issue, weighted to reflect the term of the bonds and adjusted for the premium or discount. It does not consider the time value of money, as does true interest cost (TIC). $[NIC = (\text{total coupon interest} + (-) \text{discount (premium)}) / \text{bond years}]$

Net Revenues – Typically defined as gross revenues less operating and maintenance expenses.

Notes – Short-term borrowings, usually maturing in less than three years. Used to cover seasonal cash flow needs or interim financing.

NRMSIR – A nationally recognized municipal securities information repository designated by the SEC.

Official Statement (OS) – A document prepared to provide potential bond purchasers with all material information about a bond issue, the security and sources of repayment for the bonds, the issuer and its financial condition. The SEC requires that an underwriter obtain from the issuer an OS for any publicly marketed bond issue of over \$1 million.

Original Issue Discount (OID) / Original Issue Premium (OIP) – The discount (or premium) below (or above) the stated par amount of a bond that the initial purchaser pays to the issuer of a bond. For example, the *coupon* may be 4.00%, but the initial purchaser may offer to pay a price of 4.05% or 3.95%. The IRS has detailed rules on how bond purchasers must treat OID or OIP for income tax purposes.

Overlapping Debt – The proportionate share of debt issued by overlapping taxing jurisdictions (such as a park district or school district), in addition to an issuer's own direct debt obligations, for which the issuer's taxpayers may also be responsible. Used as a measure by bond rating agencies and potential purchasers to gauge the taxpayers' overall debt burden and their ability to repay.

Bond Basics Glossary

Parity Bonds – More than one series of bonds, which may be issued at different times, but are payable from the same source of pledged funds and hold the same lien position against those funds.

Paying Agent – A bank or trust company appointed by an issuer to receive the money necessary for principal and interest payments from the issuer and distribute those payments to bondholders.

Pay-As-You-Go Basis – A financial policy that states that capital outlays will be paid from current revenues rather than from borrowing.

Pledge – The legal term for the promise of repayment, specifying the sources of repayment and any repayment-related covenants.

Pledged Revenues or Pledged Funds – The money set aside or revenue stream promised to be used solely for the payment of debt service and to provide security for payment of debt service, as specified in the bond documents.

Point – One percent of par value. Because bond prices are quoted as a percentage of \$1,000, a point is worth \$10, regardless of the actual denomination of the security.

Preliminary Official Statement (POS) – A version of the Official Statement that is often used by analysts and potential purchasers to form preliminary assessments of creditworthiness. The POS is “deemed final” by the issuer, and contains all material information about the bond issue except for pricing, yield and maturity information (and details related to pricing, yield and maturity). It contains a “red herring” disclaimer, printed in red ink, prominently displayed along the edge of the cover, stating that orders may not be taken based on the document.

Premium Bonds – A bonds initially sold at a price that is above par, meaning that the issuer receives more in payment than the stated face value of the bonds. The amount of premium is usually described as a percentage above par. (For example, a \$100,000 face value bond might sell for 101% or \$101,000, producing \$1,000 of premium for the issuer.) A purchaser buying premium bonds must consult their tax advisor regarding the tax treatment of premium bonds.

Present Value – The current value of a cash payment or revenue stream to be received in the future, calculated using an assumed rate of inflation or interest that could otherwise be earned, had that cash been received today.

Principal – The amount borrowed on a loan, or the par value (face amount) of a bond. A principal payment is also referred to as a “maturity” of bonds.

Private Activity Bonds – Bonds the proceeds of which will be used in a private trade or business (“private use”) and will be repaid with funds received from a private trade or business (“private payments”). A minimal amount of private use and private payment may not cause an issue of bonds to be treated as private activity bonds. Private activity bonds may not be issued as tax-exempt bonds unless they meet the requirements under the Federal Tax Code for “qualified” private activity bonds, which may include receiving an allocation of volume cap.

Private Placement – An issue of bonds that is sold directly to one or more investors. Many private placements are sold as a single bond or note held by a bank and structured very similarly to a commercial loan. Other private placements may involve sophisticated security structures and may be sold to sophisticated investors. Most private placements may not be sold or remarketed by the initial purchaser to future bondholders.

Qualified 501(c)(3) Bonds – Bonds issued by a nonprofit 501(c)(3) organization that may be treated as tax-exempt under the Federal Tax Code.

Rate Covenant – A provision common to utility (and similar enterprise) revenue bonds, in which the issuer pledges to maintain utility rates (or other income streams that are necessary for bond repayment or for operations and

maintenance of the bond-financed facilities) at the levels that are necessary to meet annual debt service requirements.

Ratings – An evaluation performed by an independent rating service indicating the credit quality of an issue of bonds. Ratings for municipal bonds are not necessarily equivalent to ratings on corporate bonds, and potential investors should understand the bond market before making such comparisons. There are currently three major rating companies that provide ratings on municipal bonds: Moody's, Standard & Poors, and Fitch.

Red Book – Formally known as The Bond Buyer's Municipal Marketplace, this is the standard directory of underwriters, bond counsel, financial advisers, rating agencies, credit enhancement firms, and providers of derivatives and investment products.

Redemption – The exchange by the issuer of cash for outstanding bonds, upon which the bonds are no longer outstanding. Early redemption refers to a redemption prior to the original stated maturity date, pursuant to mandatory or optional redemption provisions. Redemption provisions are also referred to as "call" provisions.

Refunding – A method of refinancing debt by selling a new bond issue to raise cash to for the redemption or defeasance of an outstanding bond issue. Refundings may be referred to as *current refundings* or *advance refundings*.

- *Current Refunding* – A refunding of bonds that are subject to redemption within 90 days of the issuance of the new (refunding) bonds.
- *Advance Refunding* – A refunding of bonds that are not subject to redemption with 90 days of the issuance of the new (refunding) bonds, requiring the establishment of a defeasance trust or escrow for the payment of principal of and interest on the bonds until their first call (redemption) date.

Reimbursement Agreement – An agreement to reimburse a provider of credit enhancement for any funds provided pursuant to that credit enhancement.

Remarketing Agent – A financial institution that agrees to periodically remarket (and thus set a new interest rate for) variable rate demand obligations.

Remarketing Agreement – The agreement with a remarketing agent regarding its responsibilities in remarketing an issue of variable rate demand obligations.

Reserve Requirement – A covenant by an issuer to maintain a debt service reserve fund or account sufficient to meet upcoming debt service requirements in the event that revenues pledged to a bond issue should be insufficient. A reasonably required reserve, under the Federal Tax Code, is equal to the lesser of: maximum annual debt service, 125% of average annual debt service, or 10% of the proceeds of a bond issue.

SEC – The United States Securities and Exchange Commission.

Sinking Fund – A fund established for the deposit of money available for repayment of bonds at or prior to maturity.

SLGS (pronounced "slugs") – Securities issued by the U.S. Treasury, called the State and Local Government Series, that provide a stated rate of interest. They are typically purchased for deposit into a refunding escrow to carry out a refunding of bonds.

Revenue Bonds – Bonds payable solely from a stated revenue stream or revenue source, and not backed by the full faith and credit of the issuer.

TEFRA – Stands for the federal Tax Equity and Fiscal Responsibility Act of 1982. Shorthand for certain public hearing requirements applicable to tax-exempt private activity bonds under the Federal Tax Code.

Term Bonds – Bonds that are payable in mandatory redemption amounts prior to the stated maturity date. For example, \$1,000,000 of term bonds maturing in 2020 may be due and payable in mandatory redemption amounts of \$300,000 in 2018, \$300,000 in 2019 and \$400,000 in 2020.

Tax-Exempt Bonds – Bonds whose owners may treat the interest income as exempt from federal income tax. Most municipal bonds are issued as tax-exempt.

Tax and Non-Arbitrage Certificate – A certificate of the issuer stating the issuer's assumptions and expectations that establish the basis for concluding that a bond issue may be treated as tax-exempt. This document describes expectations about the use of proceeds, the rate and which proceeds will be spent, and the restrictions on investment of proceeds. It also describes certain actions that an issuer may need to take in the future to maintain the tax-exempt status of the bond issue.

Taxable Bonds – Bonds whose owners may treat not the interest income as exempt from federal income tax. Municipal issuers may issue taxable bonds for portions of projects that do not otherwise qualify for tax-exemption.

Qualified Management Contract – A contract for management of a bond-financed facility that meets requirements under the Federal Tax Code relating to private activity bonds. Typical management contracts are entered into for management of golf course facilities, restaurants and food service, or parking facilities. A management contract that is not "qualified" risks tainting an entire issue of tax-exempt bonds.

True interest cost (TIC) – A method of calculating interest cost while taking into account the time value of money.

Unlimited Tax General Obligation Bond (UTGO) – An issue of voted general obligation bonds by a Washington issuer, to which the issuer has pledged its full faith credit and taxing power, including a voter-approved excess property tax levy dedicated solely to repayment of the bonds and is not subject to otherwise applicable tax limitations.

Variable Rate – An interest rate that is not fixed at a particular rate at issuance, but may change during the life of the bonds in accordance with a specified index or procedure for establishing a new interest rate.

Variable Rate Demand Obligation (VRDO) – Variable rate bonds that give a bondholder the right to put (sell) their bonds back to a financial institution at certain specified periods, usually at rate reset dates or interest rate mode change dates, allowing bondholders to decide whether to continue to hold the bonds when a new interest rate is established.

Volume Cap – An allocation of private activity bond volume authorized to be issued by a particular bond issuer.

Waterworks Utility - the combined water system of the City, sanitary sewage disposal system of the City and storm and surface water drainage system, and all additions thereto and betterments and extensions thereof at any time made.

Yield To Maturity – The total return on a bond, taking into consideration its coupon, length of maturity, and dollar price.

Zero-Coupon Bonds – Bonds sold at a deep discount, and without a coupon, appreciating to full value at maturity. Also known as capital appreciation bonds or compound interest bonds.

UNFUNDED MANDATES

An unfunded mandate is a statute or regulation that requires a state or local government to perform certain actions, with no money provided for fulfilling the requirements. Compliance with these mandates affects the City's work plan and expenditures without any corresponding increases in revenue.

Examples of numerous unfunded mandates placed on the City are listed below:

- American with Disabilities Act (ADA) Requirements
- Commute Trip Reduction
- Endangered Species Act – Salmon Recovery
- Family Medical Leave Act Requirements
- Federal Clean Water Act
- Hazardous Waste Management – EPA Requirements
- Homeland Security
- Maintenance Cost of State Highways (when the City reaches 25,000 in population)
- Model Toxics Control Act Requirements
- National Pollutant Discharge Elimination System (NPDES) Storm Water Standards
- Open Public Record Act Requirements
- Prosecution of State Traffic Law Violators
- Providing a Public Defender
- Puget Sound Clean Air Authority Standards
- Safe Drinking Water Act
- Prosecution of State Traffic Law Violators
- Prosecution of State Traffic Law Violators
- Shoreline Management Act and Shoreline Master Program Standards
- State Environmental Protection Act (SEPA) 90-Day Issuance Requirement
- State Solid Waste Guidelines and Disposal Requirements
- US Consumer Product Safety Commission Standards
- Washington State Growth Management Act Requirements



2019 IAM Salary COLA & Step Increases

Annual and monthly salaries, in effect at start of first pay period immediately following ratification

| | | Steps | | | | | | | | |
|--------------|-----------------------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Range | Title | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 11 | Parking Enforcement Officer | 46,993.68 | 48,342.00 | 49,725.12 | 51,144.00 | 52,624.08 | 54,130.32 | 55,689.84 | 57,292.32 | 58,917.84 |
| | Maintenance Technician I | 3,916.14 | 4,028.50 | 4,143.76 | 4,262.00 | 4,385.34 | 4,510.86 | 4,640.82 | 4,774.36 | 4,909.82 |
| | PerPayPeriod | 1,958.07 | 2,014.25 | 2,071.88 | 2,131.00 | 2,192.67 | 2,255.43 | 2,320.41 | 2,387.18 | 2,454.91 |
| 12 | Court Security Officer * | | | | | | | | | |
| | Judicial Specialist | 51,692.64 | 53,173.20 | 54,701.52 | 56,260.56 | 57,885.60 | 59,541.36 | 61,254.00 | 63,010.80 | 64,824.72 |
| | Administrative Specialist II | 4,307.72 | 4,431.10 | 4,558.46 | 4,688.38 | 4,823.80 | 4,961.78 | 5,104.50 | 5,250.90 | 5,402.06 |
| | PerPayPeriod | 2,153.86 | 2,215.55 | 2,279.23 | 2,344.19 | 2,411.90 | 2,480.89 | 2,552.25 | 2,625.45 | 2,701.03 |
| 13 | Senior Judicial Specialist | | | | | | | | | |
| | Fiscal Specialist I * | | | | | | | | | |
| | Senior Accounting Technician | | | | | | | | | |
| | Administrative Specialist III * | 56,853.36 | 58,487.28 | 60,169.44 | 61,903.92 | 63,669.36 | 65,505.60 | 67,372.08 | 69,313.44 | 71,302.80 |
| | Permit Specialist | 4,737.78 | 4,873.94 | 5,014.12 | 5,158.66 | 5,305.78 | 5,458.80 | 5,614.34 | 5,776.12 | 5,941.90 |
| | Senior Police Clerk | | | | | | | | | |
| | Evidence Technician | | | | | | | | | |
| | Water Resources Technician | | | | | | | | | |
| | Maintenance Technician II | | | | | | | | | |
| PerPayPeriod | 2,368.89 | 2,436.97 | 2,507.06 | 2,579.33 | 2,652.89 | 2,729.40 | 2,807.17 | 2,888.06 | 2,970.95 | |
| 14 | Accountant | | | | | | | | | |
| | Code Compliance Officer | | | | | | | | | |
| | Building Inspector/Plans Examiner | | | | | | | | | |
| | Deputy City Clerk | | | | | | | | | |
| | Planner | | | | | | | | | |
| | Signs & Markings Specialist II | 62,541.12 | 64,341.60 | 66,186.00 | 68,083.44 | 70,029.12 | 72,049.44 | 74,113.68 | 76,243.68 | 78,461.76 |
| | Mechanic II | 5,211.76 | 5,361.80 | 5,515.50 | 5,673.62 | 5,835.76 | 6,004.12 | 6,176.14 | 6,353.64 | 6,538.48 |
| | Treatment Plant Operator II | | | | | | | | | |
| | PerPayPeriod | 2,605.88 | 2,680.90 | 2,757.75 | 2,836.81 | 2,917.88 | 3,002.06 | 3,088.07 | 3,176.82 | 3,269.24 |



2019 IAM Salary COLA & Step Increases

Annual and monthly salaries, in effect at start of first pay period immediately following ratification

| | | Steps | | | | | | | | |
|--------------|--|--------------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| Range | Title | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 15 | Senior IT Specialist | | | | | | | | | |
| | GIS/CAD Specialist | | | | | | | | | |
| | Associate Planner | | | | | | | | | |
| | Construction Inspector | 68,799.60 | 70,776.00 | 72,796.08 | 74,882.16 | 77,034.48 | 79,252.08 | 81,535.92 | 83,863.68 | 86,279.04 |
| | Mechanic III | 5,733.30 | 5,898.00 | 6,066.34 | 6,240.18 | 6,419.54 | 6,604.34 | 6,794.66 | 6,988.64 | 7,189.92 |
| | Financial Analyst | | | | | | | | | |
| | Maintenance Technician III | | | | | | | | | |
| | PerPayPeriod | 2,866.65 | 2,949.00 | 3,033.17 | 3,120.09 | 3,209.77 | 3,302.17 | 3,397.33 | 3,494.32 | 3,594.96 |
| 16 | Treatment Plant Operator III | | | | | | | | | |
| | NPDES Permit Coordinator | | | | | | | | | |
| | Senior Planner | 75,672.72 | 77,846.64 | 80,086.56 | 82,370.64 | 84,742.08 | 87,179.76 | 89,682.96 | 92,252.40 | 94,909.20 |
| | Engineering Specialist (Water Resources) | 6,306.06 | 6,487.22 | 6,673.88 | 6,864.22 | 7,061.84 | 7,264.98 | 7,473.58 | 7,687.70 | 7,909.10 |
| | Engineering Project Manager | | | | | | | | | |
| | Operations Project Manager | | | | | | | | | |
| PerPayPeriod | 3,153.03 | 3,243.61 | 3,336.94 | 3,432.11 | 3,530.92 | 3,632.49 | 3,736.79 | 3,843.85 | 3,954.55 | |
| 17 | Engineer I | 83,248.80 | 85,642.56 | 88,088.88 | 90,627.12 | 93,218.40 | 95,897.52 | 98,642.64 | 101,475.60 | 104,395.68 |
| | Survey Program Manager | 6,937.40 | 7,136.88 | 7,340.74 | 7,552.26 | 7,768.20 | 7,991.46 | 8,220.22 | 8,456.30 | 8,699.64 |
| | PerPayPeriod | 3,468.70 | 3,568.44 | 3,670.37 | 3,776.13 | 3,884.10 | 3,995.73 | 4,110.11 | 4,228.15 | 4,349.82 |
| 18 | Engineer II | 91,571.52 | 94,193.52 | 96,907.68 | 99,674.64 | 102,551.28 | 105,493.92 | 108,511.44 | 111,620.88 | 114,826.56 |
| | Senior Plan Check Engineer | 7,630.96 | 7,849.46 | 8,075.64 | 8,306.22 | 8,545.94 | 8,791.16 | 9,042.62 | 9,301.74 | 9,568.88 |
| | PerPayPeriod | 3,815.48 | 3,924.73 | 4,037.82 | 4,153.11 | 4,272.97 | 4,395.58 | 4,521.31 | 4,650.87 | 4,784.44 |

*Employees in these classifications on Jan. 1, 2015 will be red-lined, but will receive future cost-of-living-adjustments. Future employees hired into these classifications will be subject to the salary ranges above.



2019 Unrepresented Pay Scale

| | | Steps | | | | | | | | |
|--------------|---|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Range | Title | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 14 | Harbormaster | 62,541.12 | 64,341.60 | 66,186.00 | 68,083.44 | 70,029.12 | 72,049.44 | 74,113.68 | 76,243.68 | 78,461.76 |
| | Monthly | 5,211.76 | 5,361.80 | 5,515.50 | 5,673.62 | 5,835.76 | 6,004.12 | 6,176.14 | 6,353.64 | 6,538.48 |
| 15 | Executive Assistant*, HR Analyst | 68,799.60 | 70,776.00 | 72,796.08 | 74,882.16 | 77,034.48 | 79,252.08 | 81,535.92 | 83,863.68 | 86,279.04 |
| | Monthly | 5,733.30 | 5,898.00 | 6,066.34 | 6,240.18 | 6,419.54 | 6,604.34 | 6,794.66 | 6,988.64 | 7,189.92 |
| 16 | Communications Coordinator | 75,672.72 | 77,846.64 | 80,086.56 | 82,370.64 | 84,742.08 | 87,179.76 | 89,682.96 | 92,252.40 | 94,909.20 |
| | Monthly | 6,306.06 | 6,487.22 | 6,673.88 | 6,864.22 | 7,061.84 | 7,264.98 | 7,473.58 | 7,687.70 | 7,909.10 |
| 17 | City Clerk, Court Administrator, Senior Financial Analyst, Public Works Supervisor, Public Works Administrative Supervisor, Public Safety Administrative Supervisor | 83,248.80 | 85,642.56 | 88,088.88 | 90,627.12 | 93,218.40 | 95,897.52 | 98,642.64 | 101,475.60 | 104,395.68 |
| | Monthly | 6,937.40 | 7,136.88 | 7,340.74 | 7,552.26 | 7,768.20 | 7,991.46 | 8,220.22 | 8,456.30 | 8,699.64 |
| 18 | Deputy City Attorney | 91,571.52 | 94,193.52 | 96,907.68 | 99,674.64 | 102,551.28 | 105,493.92 | 108,511.44 | 111,620.88 | 114,826.56 |
| | Monthly | 7,630.96 | 7,849.46 | 8,075.64 | 8,306.22 | 8,545.94 | 8,791.16 | 9,042.62 | 9,301.74 | 9,568.88 |
| 19 | Accounting Manager, Budget Manager, Engineering Manager, Current Planning Manager, Building Official, Public Works Supervisor, IT Manager, HR Manager | 100,724.64 | 103,615.20 | 106,589.04 | 109,647.84 | 112,794.48 | 116,032.32 | 119,362.32 | 122,788.08 | 126,312.24 |
| | Monthly | 8,393.72 | 8,634.60 | 8,882.42 | 9,137.32 | 9,399.54 | 9,669.36 | 9,946.86 | 10,232.34 | 10,526.02 |
| 20 | | 110,796.24 | 113,977.20 | 117,247.68 | 120,613.44 | 124,074.24 | 127,635.12 | 131,298.72 | 135,067.20 | 138,943.44 |
| | Monthly | 9,233.02 | 9,498.10 | 9,770.64 | 10,051.12 | 10,339.52 | 10,636.26 | 10,941.56 | 11,255.60 | 11,578.62 |
| 21 | Deputy Police Chief | 117,750.00 | 121,105.44 | 124,557.84 | 128,107.92 | 131,759.04 | 135,513.36 | 139,375.44 | 143,347.20 | 147,476.08 |
| | Monthly | 9,812.50 | 10,092.12 | 10,379.82 | 10,675.66 | 10,979.92 | 11,292.78 | 11,614.62 | 11,945.60 | 12,306.34 |
| 22 | City Attorney, Finance & Administrative Services Director, Public Works Director, Planning & Community Development Director | 129,541.20 | 133,232.88 | 137,030.16 | 140,935.20 | 144,951.84 | 149,083.68 | 153,332.40 | 157,702.80 | 162,233.92 |
| | Per Pay Period | 5,397.55 | 5,551.37 | 5,709.59 | 5,872.30 | 6,039.66 | 6,211.82 | 6,388.85 | 6,570.95 | 6,768.08 |
| | Monthly | 10,795.10 | 11,102.74 | 11,419.18 | 11,744.60 | 12,079.32 | 12,423.64 | 12,777.70 | 13,141.90 | 13,536.16 |
| | PayRate | 62.28 | 64.05 | 65.88 | 67.75 | 69.69 | 71.67 | 73.71 | 75.82 | 78.09 |



2019 Unrepresented Pay Scale

| Range | Title | Steps | | | | | | | | | |
|-------|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 23 | Deputy City Manager | 142,495.20 | 146,556.24 | 150,732.96 | 155,028.72 | 159,447.12 | 163,992.00 | 168,665.52 | 173,472.96 | 178,677.12 | |
| | Monthly | 11,874.60 | 12,213.02 | 12,561.08 | 12,919.06 | 13,287.26 | 13,666.00 | 14,055.46 | 14,456.08 | 14,889.76 | |
| 24 | Police Chief | 170,472.00 | | | | | | | | | |
| | Monthly | 14,206.00 | | | | | | | | | |
| 25 | City Manager | 180,666.70 | 184,000.00 | | | | | | | | |
| | Monthly | 15,055.56 | 15,333.30 | | | | | | | | |



CITY OF BAINBRIDGE ISLAND
POLICE PAY SCALE - 2018

| Grade | Patrol Officer | Step A | Step B | Step C | Step D | Step E |
|-------|----------------|--------|--------|--------|--------|--------|
| 1 | Annual | 68,572 | 72,581 | 76,805 | 81,281 | 86,008 |
| | Monthly | 5,714 | 6,048 | 6,400 | 6,773 | 7,167 |
| | Per Pay Period | 2,857 | 3,024 | 3,200 | 3,387 | 3,584 |
| | Pay Rate | 32.97 | 34.89 | 36.92 | 39.08 | 41.35 |

| Grade | Corporal | Step A | Step B | Step C | Step D | Step E |
|-------|----------------|--------|--------|--------|--------|--------|
| 1.5 | Annual | - | - | - | 90,309 | 94,609 |
| | Monthly | - | - | - | 7,526 | 7,884 |
| | Per Pay Period | - | - | - | 3,763 | 3,942 |
| | Pay Rate | - | - | - | 43.42 | 45.48 |

| Grade | Sergeant | Step A | Step B | Step C | Step D | Step E |
|-------|----------------|--------|--------|--------|--------|---------|
| 2 | Annual | - | 87,824 | 92,942 | 98,339 | 104,062 |
| | Monthly | - | 7,319 | 7,745 | 8,195 | 8,672 |
| | Per Pay Period | - | 3,659 | 3,873 | 4,097 | 4,336 |
| | Pay Rate | - | 42.22 | 44.68 | 47.28 | 50.03 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|--------------|--|----------------|
| Governance | City Council | FIXED COSTS City Governance | Not Scored |
| Governance | Executive | Administration - Executive | 1 |
| Community | Executive | Advertising | 4 |
| Governance | Executive | Advise City Council | 3 |
| Governance | Executive | Agenda & Meeting Administration | 2 |
| Governance | Executive | Benefits Administration | 3 |
| Governance | Executive | Bid Openings | 4 |
| Governance | Executive | Budget & Financial Management - Executive | 1 |
| Governance | Executive | Citizen Advisory Boards, Committees and Commissions | 4 |
| Community | Executive | Citizen Survey | 4 |
| Community | Executive | City Branding | 3 |
| Governance | Executive | City Insurance Policy Administration | 4 |
| Governance | Executive | City Policy Review Development & Implementation | 2 |
| Governance | Executive | Civil Service Commission Administration | 3 |
| Community | Executive | Community Engagement | 3 |
| Governance | Executive | Compensation Administration | 3 |
| Governance | Executive | Compliance to federal, state and local laws | 2 |
| Community | Executive | Comprehensive Planning | 3 |
| Governance | Executive | Contract Inventory | 4 |
| Governance | Executive | Contract Preparation/Review | 2 |
| Governance | Executive | Council Meetings and Agenda - Executive | 3 |
| Community | Executive | Cultural Element Funding | 4 |
| Community | Executive | Customer Service - Executive | 4 |
| Governance | Executive | Document Recording | 4 |
| Community | Executive | Economic Development - City Manager | 4 |
| Community | Executive | Emergency Preparedness - Executive | 2 |
| Governance | Executive | Employee Relations | 3 |
| Community | Executive | Event Planning/Promotion | 4 |
| Governance | Executive | Facility Planning - Executive | 2 |
| Governance | Executive | FMLA Administration | 3 |
| Governance | Executive | Franchise and Interlocal Agreements Management | 4 |
| Community | Executive | Human Services Funding | 4 |
| Governance | Executive | Intergovernmental Relations | 4 |
| Governance | Executive | Internal Notary Services | 4 |
| Governance | Executive | Internal Teams & Committees - Executive | 3 |
| Governance | Executive | Labor Negotiations Oversight | 1 |
| Governance | Executive | Labor Relations | 2 |
| Community | Executive | Land Use Hearings | 3 |
| Governance | Executive | Leadership & Organizational Development | 1 |
| Governance | Executive | Legal Counsel and Advisor for City Council | 1 |
| Governance | Executive | Legal Counsel for Boards, Committees and Commissions | 1 |
| Governance | Executive | Legal Counsel for City Administration | 1 |
| Governance | Executive | Legal Notices | 4 |
| Governance | Executive | Legal Research | 3 |
| Governance | Executive | Legislative Affairs | 2 |
| Governance | Executive | Legislative History | 4 |
| Governance | Executive | Liaison with Kitsap County and the Washington Public Disclosure Commission | 4 |
| Community | Executive | Liquor Licensing | 4 |
| Community | Executive | Lodging Tax Advisory Committee Funding | 3 |
| Governance | Executive | Municipal Code Codification | 2 |
| Community | Executive | Open Water Marina Lease Administration | 4 |
| Governance | Executive | OPMA and Public Records Training Program | 3 |
| Governance | Executive | Organizational and Employee Development | 2 |
| Governance | Executive | Outside Counsel - General Management | 4 |
| Governance | Executive | Personnel Management - Executive | 3 |
| Governance | Executive | Prepare/Review legislation | 2 |
| Governance | Executive | Pro Forma Documents | 4 |
| Community | Executive | Public Art Program | 4 |
| Community | Executive | Public Communications | 3 |
| Community | Executive | Public Farmland Management | 4 |
| Community | Executive | Public Information Office (PIO) | 4 |
| Governance | Executive | Public Notary Services | 4 |
| Community | Executive | Public Outreach - Community Engagement | 3 |
| Community | Executive | Public Outreach - Executive | 4 |
| Governance | Executive | Public Records Policy Development | 4 |
| Governance | Executive | Public Records Requests - Executive | 3 |
| Community | Executive | Public Records Requests - Public Records Officer | 4 |
| Governance | Executive | Real Property Management | 4 |
| Governance | Executive | Records Management | 1 |
| Governance | Executive | Required Reporting - Executive | 4 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|-----------------------------------|---|----------------|
| Governance | Executive | Safety Administration | 3 |
| Governance | Executive | Staffing Management | 3 |
| Governance | Executive | Strategic Planning and Development | 1 |
| Community | Executive | Volunteer Program Oversight/Administration | 4 |
| Governance | Executive | Website Management | 4 |
| Governance | Finance & Administrative Services | Accounts Payable | 2 |
| Governance | Finance & Administrative Services | Administration - Finance Dept | 1 |
| Governance | Finance & Administrative Services | Administration - Finance/IT | 1 |
| Governance | Finance & Administrative Services | Bank Account Reconciliation | 2 |
| Governance | Finance & Administrative Services | Budget & Financial Management - Finance | 2 |
| Governance | Finance & Administrative Services | Budget Development | 1 |
| Governance | Finance & Administrative Services | Budget Monitoring, Analysis, and Reporting | 1 |
| Community | Finance & Administrative Services | Business Licensing | 3 |
| Governance | Finance & Administrative Services | Capital Asset Management | Not Scored |
| Governance | Finance & Administrative Services | City Website support | 1 |
| Governance | Finance & Administrative Services | Citywide Support | Not Scored |
| Governance | Finance & Administrative Services | Communications Systems Administration | 1 |
| Governance | Finance & Administrative Services | Community communications | 1 |
| Governance | Finance & Administrative Services | Configuration Control | 3 |
| Governance | Finance & Administrative Services | Cost Allocation | 1 |
| Governance | Finance & Administrative Services | Council Meetings and Agenda - Finance | 1 |
| Community | Finance & Administrative Services | Customer Service - City Hall Front Desk | 4 |
| Community | Finance & Administrative Services | Customer Service - Finance | 4 |
| Governance | Finance & Administrative Services | Data Storage Administration | 4 |
| Governance | Finance & Administrative Services | Database Administration | 2 |
| Governance | Finance & Administrative Services | Debt Management and Issuance | Not Scored |
| Governance | Finance & Administrative Services | Delinquent Collections | 3 |
| Governance | Finance & Administrative Services | Disaster Recovery and Emergency Management | 2 |
| Governance | Finance & Administrative Services | Emergency Preparedness - Finance | 3 |
| Governance | Finance & Administrative Services | External Audit Management | 1 |
| Governance | Finance & Administrative Services | Financial System Support | 1 |
| Governance | Finance & Administrative Services | General Billing | 2 |
| Governance | Finance & Administrative Services | General Ledger Processing and Maintenance | 1 |
| Governance | Finance & Administrative Services | Geographic Information System (GIS) Administration | 1 |
| Governance | Finance & Administrative Services | Hardware/Software Administration | 4 |
| Governance | Finance & Administrative Services | Helpdesk Services | 3 |
| Governance | Finance & Administrative Services | Intergovernmental Financial Reporting | 1 |
| Governance | Finance & Administrative Services | Internal Process Control and Improvement | 1 |
| Governance | Finance & Administrative Services | Internal Teams & Committees - Finance | 3 |
| Governance | Finance & Administrative Services | Labor Negotiation Team Analysis | 1 |
| Governance | Finance & Administrative Services | Local Improvement District (LID) Billing | 3 |
| Governance | Finance & Administrative Services | Map/CAD Request Fulfillment | 2 |
| Governance | Finance & Administrative Services | Mapping and Data Management | 2 |
| Governance | Finance & Administrative Services | Network Management | 1 |
| Governance | Finance & Administrative Services | Payroll | 1 |
| Governance | Finance & Administrative Services | Personnel Management - Finance | 3 |
| Community | Finance & Administrative Services | Public Notary Service | 4 |
| Community | Finance & Administrative Services | Public Outreach - Finance | 4 |
| Governance | Finance & Administrative Services | Public Records Requests - Finance | 2 |
| Governance | Finance & Administrative Services | Rate Analysis and Setting Coordination | 1 |
| Governance | Finance & Administrative Services | Report Development | 3 |
| Governance | Finance & Administrative Services | Required Reporting - Finance | 2 |
| Governance | Finance & Administrative Services | Revenue Forecasting | 1 |
| Governance | Finance & Administrative Services | Server Administration/Maintenance | 2 |
| Governance | Finance & Administrative Services | Systems Administration | 2 |
| Governance | Finance & Administrative Services | Technology-Related Governance | 2 |
| Governance | Finance & Administrative Services | Trust/Agency Fund management | 1 |
| Governance | Finance & Administrative Services | Water and Sewer Utility Billing | 1 |
| Governance | General Government | FIXED COSTS General Government | Not Scored |
| Governance | Municipal Court | Administration - Court | 4 |
| Community | Municipal Court | Bail/Bond Management | 3 |
| Governance | Municipal Court | Budget & Financial Management - Court | 2 |
| Community | Municipal Court | Community Service Hours Verification | 4 |
| Community | Municipal Court | Court Calendars and Schedule Maintenance | 3 |
| Community | Municipal Court | Courthouse Security | 3 |
| Community | Municipal Court | Courtroom Reports and Summaries | 4 |
| Community | Municipal Court | Customer Service - Court | 4 |
| Community | Municipal Court | Data Entry and Docketing in Judicial Information System (JIS) | 3 |
| Community | Municipal Court | Defendant Criminal History and Driving Records Monitoring | 4 |
| Community | Municipal Court | Delinquent Payment and Collections Management | 4 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|----------------------------------|--|----------------|
| Governance | Municipal Court | Emergency Preparedness - Court | 4 |
| Community | Municipal Court | Hearings | 4 |
| Governance | Municipal Court | Internal Teams & Committees - Court | 3 |
| Community | Municipal Court | Interstate Compact (Probation Transfer) Management | 4 |
| Community | Municipal Court | Jail Coordination | 3 |
| Community | Municipal Court | Passport Services | 4 |
| Governance | Municipal Court | Personnel Management - Court | 1 |
| Community | Municipal Court | Prisoner Transport | 3 |
| Community | Municipal Court | Probation File Management, Evaluations and Treatment Compliance Monitoring | 3 |
| Community | Municipal Court | Public Defender Screening | 3 |
| Community | Municipal Court | Public Outreach - Court | 4 |
| Community | Municipal Court | Public Records Requests - Court | 4 |
| Community | Municipal Court | Records Management and Preservation | 3 |
| Community | Municipal Court | Remittance to City, State and Victims | 4 |
| Community | Municipal Court | Required Reporting - Court | 4 |
| Community | Municipal Court | Restitution Management | 4 |
| Community | Municipal Court | Safety Planning and Training | 4 |
| Community | Municipal Court | Search Warrants | 3 |
| Community | Municipal Court | Sentence Compliance | 4 |
| Community | Municipal Court | Trials | 4 |
| Community | Planning & Community Development | Administration - Planning and Community Development | 2 |
| Community | Planning & Community Development | Affordable Housing | 4 |
| Community | Planning & Community Development | After-the-Fact Permits | 1 |
| Governance | Planning & Community Development | Budget & Financial Management - Planning and Community Development | 2 |
| Community | Planning & Community Development | Building and Fire Code Updates | 1 |
| Community | Planning & Community Development | Building Code Educational Outreach | 2 |
| Community | Planning & Community Development | Building Permit Database Management | 2 |
| Community | Planning & Community Development | Building Permit Processing | 1 |
| Community | Planning & Community Development | Building Permits - Planning Review | 1 |
| Community | Planning & Community Development | Building Plan Review | 1 |
| Community | Planning & Community Development | Building Site Inspections | 1 |
| Community | Planning & Community Development | Capital Facilities Plan/Capital Improvement Program Updates | 1 |
| Community | Planning & Community Development | City Council Ad Hoc Committee Support | 2 |
| Community | Planning & Community Development | Code Compliance Complaints Investigations | 2 |
| Community | Planning & Community Development | Code Compliance Educational Outreach & Interagency Support | 2 |
| Community | Planning & Community Development | Code Compliance Ordinance Updates & Revisions | 3 |
| Community | Planning & Community Development | Code Compliance Site Visits | 2 |
| Community | Planning & Community Development | Code Enforcement Actions | 2 |
| Community | Planning & Community Development | Comprehensive Plan "Regular" Amendments | 2 |
| Governance | Planning & Community Development | Council Meetings and Agenda - Planning and Community Development | 2 |
| Community | Planning & Community Development | Current Planning Permits Database Management | 1 |
| Community | Planning & Community Development | Current Use Taxation Applications | 4 |
| Community | Planning & Community Development | Customer Service - Building Division | 2 |
| Community | Planning & Community Development | Customer Service - Current Planning | 2 |
| Community | Planning & Community Development | Customer Service - Long Range Planning | 3 |
| Community | Planning & Community Development | Demographics/Population and Permit Data Reporting | 4 |
| Community | Planning & Community Development | Design Review Board | 2 |
| Governance | Planning & Community Development | Emergency Preparedness - Building Division | 4 |
| Governance | Planning & Community Development | Emergency Preparedness - Planning and Community Development | 4 |
| Community | Planning & Community Development | Flood Plain Compliance | 2 |
| Community | Planning & Community Development | Historic Preservation Commission | 4 |
| Governance | Planning & Community Development | Internal Teams & Committees - Planning and Community Development | 3 |
| Community | Planning & Community Development | Island Center Subarea Planning | 1 |
| Community | Planning & Community Development | Island Center Subarea Planning | 1 |
| Community | Planning & Community Development | Land Use Applications Review & Processing - Current Planning | 1 |
| Community | Planning & Community Development | Land Use Ordinance Development and Processing | 1 |
| Community | Planning & Community Development | Legal Proceedings | 3 |
| Community | Planning & Community Development | Natural Resource Protection | 1 |
| Community | Planning & Community Development | Non-Motorized Transportation Plan Implementation | 1 |
| Community | Planning & Community Development | Other Comprehensive Plan Implementation | 1 |
| Community | Planning & Community Development | Other Comprehensive Plan Implementation | 1 |
| Community | Planning & Community Development | Parcel Addressing | 1 |
| Governance | Planning & Community Development | Personnel Management - Planning and Community Development | 1 |
| Community | Planning & Community Development | Planning Commission Administration and Support | 3 |
| Community | Planning & Community Development | Public Outreach - Planning and Community Development Department | 3 |
| Community | Planning & Community Development | Public Records Requests - Planning and Community Development | 4 |
| Community | Planning & Community Development | Regional Coordination & Representation | 2 |
| Community | Planning & Community Development | Regional Planning Coordination | 2 |
| Community | Planning & Community Development | Rezoning | 2 |
| Community | Planning & Community Development | SEPA (State Environmental Protection Act) Review and Decisions | 1 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|----------------------------------|--|----------------|
| Community | Planning & Community Development | Shoreline Master Plan Implementation and Monitoring | 1 |
| Community | Planning & Community Development | Sign Code Administration | 3 |
| Community | Planning & Community Development | Site Inspections | 1 |
| Community | Planning & Community Development | Special Planning Projects and Research | 1 |
| Community | Planning & Community Development | State-mandated Comprehensive Plan Update | 1 |
| Community | Planning & Community Development | Support Affordable Housing Task Force | 2 |
| Community | Planning & Community Development | Technical Advice and Interpretation of Plans, Policies and Regulations | 2 |
| Community | Public Safety | Administration - Public Safety | 4 |
| Community | Public Safety | Animal Licensing | 4 |
| Community | Public Safety | Background Investigations | 4 |
| Community | Public Safety | Bike Patrol | 1 |
| Governance | Public Safety | Budget & Financial Management - Public Safety | 2 |
| Community | Public Safety | Citizen Ride-Along | 4 |
| Community | Public Safety | Civic Parking Program | 3 |
| Community | Public Safety | Community Events | 2 |
| Community | Public Safety | Community Outreach | 3 |
| Community | Public Safety | Complaints and Internal Affairs Investigations | 4 |
| Community | Public Safety | Concealed Pistol License Applications | 4 |
| Governance | Public Safety | Council Meetings and Agenda - Public Safety | 3 |
| Community | Public Safety | Court Support | 2 |
| Community | Public Safety | Crime Prevention | 3 |
| Community | Public Safety | Customer Service - Public Safety | 2 |
| Governance | Public Safety | Department Meetings/Events | 1 |
| Community | Public Safety | Derelict Vessel Prevention Program | 2 |
| Community | Public Safety | Derelict Vessel Removal Program | 2 |
| Community | Public Safety | Directed Patrol Mission | 3 |
| Community | Public Safety | Dispatch Services (CenCom) | 1 |
| Community | Public Safety | Emergency Flotilla | 4 |
| Community | Public Safety | Emergency Management Planning and Operations | 2 |
| Community | Public Safety | Emergency Operations Center (EOC) | 1 |
| Community | Public Safety | Emergency Preparedness | 2 |
| Community | Public Safety | Evidence Management | 2 |
| Community | Public Safety | False Alarm Program | 4 |
| Community | Public Safety | Field Training | 2 |
| Community | Public Safety | Fingerprinting Services | 3 |
| Governance | Public Safety | FIXED COSTS Capital | Not Scored |
| Community | Public Safety | Fleet Management | 3 |
| Community | Public Safety | General Investigations | 2 |
| Community | Public Safety | General Patrol Operations | 1 |
| Governance | Public Safety | Grant Management | 4 |
| Community | Public Safety | Harbor Stewards | 3 |
| Community | Public Safety | Homeland Security | 2 |
| Community | Public Safety | Intelligence and Crime Analysis | 2 |
| Governance | Public Safety | Interagency Planning & Cooperation | 4 |
| Governance | Public Safety | Internal Teams & Committees - Public Safety | 3 |
| Community | Public Safety | K9 Program | 4 |
| Community | Public Safety | Lexipol - Policy Management | 2 |
| Community | Public Safety | Licensing Review & Approvals | 4 |
| Community | Public Safety | Major Special Event Support | 2 |
| Community | Public Safety | Marina Education & Outreach | 4 |
| Community | Public Safety | Marine Services Unit | 3 |
| Community | Public Safety | Motorcycle Program | 3 |
| Community | Public Safety | Officer recruiting and selection | 3 |
| Governance | Public Safety | Ongoing Training and Certification | 1 |
| Community | Public Safety | Parking Enforcement | 1 |
| Community | Public Safety | Patrol Standardization | 4 |
| Governance | Public Safety | Personnel Management - Public Safety | 1 |
| Community | Public Safety | Police Awards and Commendation | 4 |
| Community | Public Safety | Policy and Regulations | 3 |
| Community | Public Safety | Port Security | 3 |
| Community | Public Safety | Portable Radios Programming and Maintenance | 3 |
| Community | Public Safety | Prosecutor Support | 4 |
| Community | Public Safety | Public Outreach - Public Safety | 3 |
| Community | Public Safety | Public Records Requests - Public Safety | 4 |
| Governance | Public Safety | Purchasing - Procurement Services | 4 |
| Community | Public Safety | Radiological/Nuclear Detection | 3 |
| Governance | Public Safety | Records Management | 2 |
| Community | Public Safety | Reporting and Compliance - Investigations | 4 |
| Community | Public Safety | Reporting and Compliance - Support Services | 2 |
| Community | Public Safety | Research Reporting | 4 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|---------------|---|----------------|
| Community | Public Safety | Reserve Program | 4 |
| Community | Public Safety | Risk Management Review | 3 |
| Community | Public Safety | SECTOR - Traffic Incident Reporting | 2 |
| Community | Public Safety | Sex Offender Accountability Program | 4 |
| Community | Public Safety | Special Event Review and Management | 2 |
| Community | Public Safety | Specialized Investigations | 1 |
| Governance | Public Safety | Strategic Planning | 3 |
| Governance | Public Safety | Timekeeping | 4 |
| Community | Public Safety | Traffic Operations - Enforcement | 1 |
| Community | Public Safety | Traffic Operations - Investigations | 1 |
| Community | Public Safety | Training Coordinator | 4 |
| Community | Public Safety | Vehicle Inspections | 3 |
| Community | Public Safety | Volunteer Program | 3 |
| Community | Public Safety | Washington Crime Information Center (WACIC) Reporting | 3 |
| Community | Public Works | Administration - Public Works | 2 |
| Community | Public Works | Annual Culvert and Open Conveyance Inspection and Cleaning | 1 |
| Community | Public Works | Annual Water System Flush | 1 |
| Community | Public Works | Backflow Testing | 3 |
| Community | Public Works | Bike Lane Sweeping | 1 |
| Community | Public Works | Biosolids Disposal | 2 |
| Community | Public Works | Biosolids Processing | 2 |
| Governance | Public Works | Budgeting and Financial Management | 2 |
| Community | Public Works | Building Permits Review | 1 |
| Governance | Public Works | Building Services Contracts | 3 |
| Community | Public Works | Capital Project Management | 3 |
| Community | Public Works | Catch Basin and Closed Conveyance Inspection and Cleaning | 1 |
| Community | Public Works | Collection System Maintenance and Repairs | 2 |
| Community | Public Works | Communications and Media Relations - Public Works | 3 |
| Community | Public Works | Construction Support - Sewer Utility | 2 |
| Community | Public Works | Construction Support - SSWM Utility | 2 |
| Community | Public Works | Construction Support - Water Utility | 2 |
| Governance | Public Works | Council Meetings and Agenda - Public Works | 2 |
| Governance | Public Works | Crane Inspection | 3 |
| Community | Public Works | Cross Connection Control Program Management | 2 |
| Community | Public Works | Customer Service - Engineering | 3 |
| Community | Public Works | Customer Service - Public Works | 4 |
| Community | Public Works | Decant Facility and SWPPP Operations | 2 |
| Community | Public Works | Development Codes Update and Review | 2 |
| Community | Public Works | Emergency Call Out Inspections | 1 |
| Governance | Public Works | Emergency Preparedness - Public Works | 3 |
| Community | Public Works | Facilities Engineering and Construction | 1 |
| Governance | Public Works | Facility Maintenance and Repairs | 3 |
| Governance | Public Works | Facility Planned Asset Improvement Projects | 2 |
| Community | Public Works | Facility Planning - Public Works | 1 |
| Governance | Public Works | Facility Support | 4 |
| Governance | Public Works | FIXED COSTS Capital | Not Scored |
| Community | Public Works | Fleet, Equipment & Fuel - Public Works | 1 |
| Governance | Public Works | Fuel System Maintenance | 4 |
| Community | Public Works | Gravel Roads Maintenance | 3 |
| Community | Public Works | Grinder Pump Contract | 3 |
| Governance | Public Works | Grounds Maintenance | 4 |
| Community | Public Works | Groundwater Management Program | 1 |
| Community | Public Works | Guardrail Maintenance | 3 |
| Community | Public Works | Illicit Discharge Detection and Elimination | 1 |
| Community | Public Works | Illicit Discharge Detection and Elimination and Spill Response | 1 |
| Governance | Public Works | Internal Teams & Committees - Public Works | 3 |
| Community | Public Works | Janitorial Contract | 4 |
| Community | Public Works | Land Use Applications Review & Processing - Development Engineering | 1 |
| Community | Public Works | Landfill Management Operations | 3 |
| Community | Public Works | Linear Moorage, Dock & Buoy Contract | 3 |
| Community | Public Works | Major Maintenance and Repairs - Stormwater System | 2 |
| Community | Public Works | Meter Operations | 2 |
| Community | Public Works | Municipal Operations - NPDES | 1 |
| Community | Public Works | NPDES - Discharge Permit Management | 1 |
| Community | Public Works | Overhead Vegetation Control | 2 |
| Community | Public Works | Pavement Maintenance | 1 |
| Community | Public Works | Pavement Marking Maintenance | 1 |
| Governance | Public Works | Personnel Management - Public Works | 1 |
| Community | Public Works | Planned Asset Improvement Projects - Sewer Utility | 2 |
| Community | Public Works | Planned Asset Improvement Projects- Water Utility | 2 |



2018 Priority Based Budgeting Program List

| Type | Department | Program | Quartile Group |
|------------|--------------|--|----------------|
| Community | Public Works | Private Infrastructure Transfer and Maintenance Plan Development | 1 |
| Community | Public Works | Public Information/Public Affairs-Relations | 4 |
| Community | Public Works | Public Involvement and Participation - NPDES | 3 |
| Community | Public Works | Public Outreach - Public Works | 4 |
| Community | Public Works | Public Outreach and Education - NPDES | 1 |
| Community | Public Works | Public Records Requests - Public Works | 4 |
| Governance | Public Works | Public Works General Management | 2 |
| Community | Public Works | Pump Station Inspections | 3 |
| Community | Public Works | Pump Station Maintenance and Repairs | 3 |
| Governance | Public Works | Purchasing - Procurement Services | 3 |
| Governance | Public Works | Required Reporting - Public Works | 3 |
| Community | Public Works | Right-of-Way Administration | 2 |
| Community | Public Works | Right-of-Way Management | 3 |
| Community | Public Works | Road End Maintenance | 4 |
| Community | Public Works | Road Striping | 3 |
| Community | Public Works | Roadside Mowing | 3 |
| Community | Public Works | Roadside Tree Services | 3 |
| Community | Public Works | Runoff Control from New Development | 1 |
| Community | Public Works | Shoulder Maintenance | 1 |
| Community | Public Works | Sidewalk Maintenance | 1 |
| Community | Public Works | Site Inspections | 2 |
| Governance | Public Works | Small Equipment Maintenance | 4 |
| Community | Public Works | Snow and Ice Control | 2 |
| Community | Public Works | Special Projects/Studies - Water | 1 |
| Community | Public Works | Storm Response and Recovery - Fleet Equipment | 2 |
| Community | Public Works | Storm Response and Recovery - Roadway Debris | 1 |
| Community | Public Works | Storm Response and Recovery - Sewer Utility | 1 |
| Community | Public Works | Storm Response and Recovery - Stormwater Systems | 1 |
| Community | Public Works | Storm Response and Recovery - Water Utility | 1 |
| Community | Public Works | Storm Water Quality Control and Treatment Structure Maintenance | 2 |
| Community | Public Works | Stormwater Engineering and Construction | 1 |
| Community | Public Works | Stormwater Planning | 1 |
| Community | Public Works | Street Light Inspection | 2 |
| Community | Public Works | Street Signal Light Maintenance | 2 |
| Community | Public Works | Street Sweeping | 1 |
| Community | Public Works | Streetscape Maintenance | 3 |
| Community | Public Works | Surveying | 3 |
| Community | Public Works | Traffic Engineering | 1 |
| Community | Public Works | Traffic Sign Maintenance | 2 |
| Community | Public Works | Trail Maintenance | 1 |
| Community | Public Works | Transportation Engineering and Construction | 1 |
| Community | Public Works | Transportation Planning | 1 |
| Community | Public Works | Treatment Plant Operations and Testing | 2 |
| Community | Public Works | Treatment Plant Preventive Maintenance and Repairs | 2 |
| Governance | Public Works | Vehicle and Equipment Acquisition | 4 |
| Governance | Public Works | Vehicle and Equipment Maintenance and Repairs | 3 |
| Governance | Public Works | Vehicle and Equipment Surplus | 4 |
| Governance | Public Works | Vehicle Outfitting | 4 |
| Community | Public Works | Water Operations | 2 |
| Community | Public Works | Water Quality and Flow Monitoring Program | 1 |
| Community | Public Works | Water System Maintenance and Repairs | 2 |
| Community | Public Works | Waterworks (Water, Sewer) Planning | 2 |
| Community | Public Works | Waterworks Engineering and Construction | 2 |

GLOSSARY – FINANCE, ACCOUNTING AND MUNICIPAL DEBT

Acceleration – A remedy for default that allows the bondholder or lender to declare the unpaid balance immediately due and payable.

Accrual Basis – The basis of accounting under which transactions are recognized when incurred regardless of the timing of related cash receipts and disbursements. This is the basis of accounting used by most large private corporations. The City uses the accrual basis to account for year-end accounting and reporting of Proprietary Funds such as the City's utility funds and for the Government-wide Financial Statements required by GASB Statement No. 34.

Acquired Purpose Obligations – A term used in IRS regulations to describe loans taken out to meet a municipality's governmental obligations.

Ad Valorem Tax – Property tax.

Additional Bonds Test – A covenant that an issuer will not issue new additional bonds that will have a claim to revenues already pledged to outstanding bonds, unless certain financial or other requirements are met.

Advance Refunding – Issuance of new bonds to repay an outstanding bond issue prior to its first call date in order to capture savings (in the form of a lower interest rate), or to change covenants or other provisions. Generally, the proceeds of the new issue are invested in government securities, which are placed in escrow. The trustee or escrow agent uses these maturing government securities to pay interest the old issue until its first call date, at which point it is called and repaid.

Agreement Among Underwriters (AAU) – The contract set up between members of an underwriting syndicate, stipulating the activities of each member.

Amortization Schedule – The schedule of principal and interest payments for the elimination of debt.

Any Interest Date Call – A call feature under which an issuer can redeem outstanding securities on any interest payment date, after the first call date.

Appropriation – An authorization by a legislative body to set aside cash for a specific purpose.

Arbitrage – The practice of buying and selling in different markets to profit from a spread in prices or yields resulting from market conditions. Except in limited circumstances, municipal issuers are generally prohibited from selling bonds in the tax-exempt market, and turning around to invest the proceeds in higher-yielding taxable market in order to earn profits. Any such arbitrage profits must be rebated to the U.S. Treasury.

Artifice or Device – A term used in section 103 of the IRS code to describe a transaction that enables the issuer to gain arbitrage profits.

Assessed Valuation – The valuation placed on real estate by the Kitsap County Assessor's Office as the basis for levying property taxes.

Assessment – The valuation placed on property for the purposes of taxation. Also used as the charges made against properties included in a local improvement district, generally called special assessments.

Assessment Bonds (or Local Improvement District Bonds) – Bonds the repayment of which is secured by special assessments paid by property owners whose property receives a special benefit from the bond-financed improvement.

Auction Rate Securities (ARS) – Variable rate securities in which the interest rate is reset periodically (daily, weekly or monthly), based on the results of a dutch auction.

Authority – A unit or agency of a municipality established to perform a

single function or group of functions, usually supported by user fees.

Authorization Ordinance – A law that allows a municipality to sell a specific bond issue or finance a specific project.

Average Annual Debt Service (AADS) – The average amount of total debt service due in each year over the life of the bonds.

Average Effective Interest Cost – The average interest rate on a bond issue, including all issuance costs, expressed as either net interest cost or true interest cost.

Average Life – The average length of time an issue of bonds with mandatory sinking funds is expected to remain outstanding.

Baby Bond – A denomination issued in less than \$1,000, also known as a mini-bond.

Balloon Maturity or **Balloon Payment**– A large proportion of bond principal maturing in a single year.

Back-Loaded Debt – A debt service structure in which total debt service payments are lower in the early years and increase toward the final maturity. This is typically accomplished with smaller principal maturities in the early years, balloon payments, “zero-coupon” bonds or capitalized interest bonds.

Balanced Budget – Estimated expenditures for the fiscal year shall not exceed the total of the estimated revenues for the fiscal year plus the expected fund balance at the close of the preceding fiscal year. Loan proceeds are not used to balance the budget.

Bank Qualified (BQ) – Bonds issued by municipalities that anticipate selling less than \$10 million in bonds in a given calendar year. Certain financial institutions that buy these securities are allowed to deduct 80 percent of the interest expense incurred to buy them.

Basis of Accounting – The structure used to determine when financial transactions are recognized. The primary methods used by municipalities are cash basis, modified accrual and full accrual basis.

Basis point – One one-hundredth of a percent (0.01%). One hundred basis

points equal 1 percent. Used in discussing the pricing and yields of bond issues.

Benefits Employee benefits including employer taxes (social security, medicare, and worker's compensation) and City-paid benefits such as health insurance, life insurance, uniform cleaning/replacement and State-mandated retirement contributions.

Bid – The price offered by prospective purchasers of securities.

Bid Wanted – A listing of securities put out by a dealer asking for bids on part or all of them.

Black-box Deal – Term to describe a variety of abusive bond issues sold in the 1980s in which the proceeds were used to earn arbitrage profits and nothing more.

Blind Pool – A bond issue sold without the specific borrowers or projects they wish to finance known in advance.

Block – A large amount of bonds trading in the market, generally speaking, \$100,000 or more.

Blue List – A daily publication by Standard & Poor's, printed on distinctive blue paper, showing what dealers are offering for sale from their inventory in the so called secondary market. The *Blue List* volume is the total par value of all bonds offered for sale in the publication, properly entitled *The Blue List of Current Municipal and Corporate Offerings*.

Blue Sky Law – A term referring to various state laws enacted to protect the public against securities fraud.

Boilerplate – Commonly repeated legal sections of an official statement, which vary little from transaction to transaction.

Bond – A promise by an issuer to repay a stated principal amount, which obligation will accrue interest at a stated rate. Bonds typically have an average life of 3 years or more. Securities with shorter maturities are termed notes (3 years or less) or commercial paper (12 months or less).

Bond Anticipation Note (BAN) – A short-term borrowing (usually 3 years or less) that the issuer anticipates retiring with

the proceeds of a bond sale. Typically used during a construction period before final costs are known. See also *Tax Anticipation Note (TAN)*, *Revenue Anticipation Note (RAN)*, *Tax and Revenue Anticipation Note (TRAN)*, *Grant Anticipation Note (GAN)*.

Bond Bank – State bond banks bundle debt offerings from small issuers into larger offerings, to create advantages of scale.

Bond Buyer, The – The daily, and only, newspaper of record of the municipal market, published since 1891. The paper was known first as *The Daily Bond Buyer* and changed its name to the current one in 1987.

Bond Buyer Index – Generally used in reference to The Bond Buyer 20-bond general obligation (GO) bond index, which is calculated weekly using 20 GO bonds maturing in 20 years. The index has a rating roughly equivalent to a double-A. Eleven of the same bonds are also used to calculate an index equivalent to a double-A-plus.

The 20- and 11-bond indexes were compiled monthly from 1917 to 1946; they are now compiled weekly. The record high for the 20-bond index was 13.44 percent, which it hit on January 14, 1982. The record low was 1.29 percent; which it posted on February 14, 1946. The record high for the 11-bond index was 13.05 percent; the record low 1.04 percent. *The Bond Buyer* started a weekly revenue bond index in 1979, comprising 25 revenue bonds maturing in 30 years, with an average rating of A-plus. Its high was 14.32 percent, also reached in January 1982. In 1989 the newspaper also started a short-term tax exempt note index calculating using 10 various note issuers. The bond issuers used in the calculation of all of the indexes change from time to time, as their fortunes rise or fall.

Bond Buyer Municipal Bond Index – An index of bond prices designed by the Chicago Board of Trade used in trading municipal bond futures, and sometimes used by observers as a benchmark in

assessing the state of the municipal market.

Bond Contract – Terms of the agreement between issuer and buyer, typically including the bond resolution, trust indenture, and various security provisions.

Bond Counsel – A lawyer who typically represents the bond issuer, reviews the transaction, and writes an opinion on its legality, security, and tax status.

Bond Election – The process by which voters approve or reject the sale of unlimited tax general obligation (UTGO) bonds.

Bond Fund – An issuer's debt service repayment fund, into which all money collected for the repayment of bonds is deposited.

Bond Insurance – A policy written by a mono-line insurance company that guarantees payment to bondholders of principal and interest payments when due, resulting in a higher credit rating, lower borrowing cost, or enhanced marketability for the bonds.

Bond Ordinance or **Bond Resolution** – A legal document describing the terms and conditions of the offering, the rights of the bondholder, and the obligations of the issuer.

Bond Proceeds – The amount of money received by the issuer in exchange for an issue of bonds.

Bond Purchase Agreement (BPA) or **Bond Purchase Contract (BPC)** – The contract between the issuer and the underwriter setting the terms, prices, and conditions of the sale.

Bond Rating – The series of letters, numbers, and symbols used by rating agencies to designate the credit quality of an issuer's securities.

Bond Register – A record, kept by a transfer agent or bond registrar on behalf of an issuer, of the names and addresses of registered bond owners.

Bond Registrar – The person or entity who maintains the bond register. In Washington, typically the State's Fiscal Agent (currently The Bank of New York) acts as registrar for most governmental

issuers. A trustee, treasurer or finance officer may alternatively be appointed as bond registrar.

Bond Transcript – The legal documents associated with a bond offering.

Bond Year – \$1,000 of debt outstanding for one year. The number of bond years in an issue is the number of bonds times the number of years from the dated date to maturity. The number of bond years is used in calculating the average life of an issue and its net interest cost.

Bonded Debt – The portion of an issuer's total indebtedness as represented by outstanding bonds.

Book – Presale orders for a new bond issue, based on preliminary price levels. The syndicate member who keeps track of orders is said to be the senior book running manager.

Book-Entry – Securities in the form of entries in the issuer's or a clearing house's books, rather than in the form of paper certificates with coupons. All but the smallest bond issues are sold in book-entry format.

Broker – An agent between buyers and sellers of securities. Brokers' brokers handle inter-dealer transactions.

Budget – The City's plan for financial operations during the coming year as approved by ordinance of the City Council. Also refers to the published document containing that plan.

Budget Amendment – A change to a budget adopted in accordance with State law. A budget may be amended by ordinance when unanticipated revenues or expenditures occur. The City Manager is authorized to amend budget expenditures within a single fund without City Council approval provided overall expenditures for the fund are not increased.

Budgetary Basis – The basis of accounting under which the City's budget is prepared. The City budgets are prepared using the modified accrual basis of accounting and include the assumption that all budgeted activities will be completed in the budget year except where indicated otherwise. Some expenditures are not budgeted such

as the recognition of depreciation in the City's Utility Funds. Capital asset purchases are recognized for budget purposes as expenditures in the year the cash outlay occurs.

Budgeting, Accounting & Reporting System (BARS) – The chart of accounts established by the State Auditor's Office and required to be used by all governments within the State.

Calendar – The list of upcoming bond sales.

Call – Redemption of a bond prior to maturity. The first call is usually 10 years away, at par, although most issuers allow for earlier calls at a premium of 101 or 102.

Call Provision – A provision permitting an issuer to redeem a bond prior to its stated maturity date.

Call Premium – An amount, usually stated as a percentage of the principal amount, paid as a "penalty" or a "premium" for the exercise of a call provision.

Callable Bonds – Bonds that may be redeemed by the issuer prior to the stated maturity date. Typically, a first call date is 10 years from issuance, at a price of par plus interest accrued to the call date. Other call provisions (and premiums) can be negotiated.

Canadian Interest Cost (CIC) – A method of calculating the interest cost, as a percentage, of a bond issue. Not used as often as the net interest cost (NIC) method.

Capital Appreciation Bond (CAB) – A bond purchased at a deep discount to face value, for which principal and all interest are due at maturity. Also called a capitalized interest bond or compound interest bond.

Capital Expenditures – Expenditures for acquisition of or improvement to assets with a fixed or permanent character such as land and buildings.

Cash Basis – The basis of accounting under which transactions are recognized when cash is received or disbursed.

Closing – The point in the sale at which an issuer delivers securities to the underwriters, and receives the proceeds.

Competitive Sale or Competitive Bid –

The sale of bonds to a purchaser based on bids submitted electronically at a specified time.

Comprehensive Plan (Comp Plan) – Plan required by the Growth Management Act to accommodate the population growth anticipated over the next 20 years. The Plan must show what public facilities are needed and how the local government plans to pay for those facilities during the first six years of the period. Projects in the City's annual budget are required to conform to the City's Plan.

Conduit Financing – A financing structure in which an issuer sells bonds and then lends the proceeds, pursuant to a loan agreement, to a borrower. The bond issuer promises to repay the bonds using the loan repayment amounts received from the borrower.

Contingent Loan Agreement – A form of credit enhancement whereby an entity independent of the issuer agrees to provide credit enhancement to an issuer in the form of one or more loans. For example, a public development authority (PDA) may obtain a guarantee from the city that created it that if the PDA is unable to make debt service payments, the city will provide additional funds to the PDA to be used for that purpose. See also *Guaranty Agreement*.

Continuing Disclosure – An issuer's obligation to provide ongoing updates of information regarding the issuer's financial condition, pursuant to a written Undertaking to Provide Continuing Disclosure, to the NRMSIRs and other specified market participants.

Core Services Expected level of traditional and community-driven services delivered by the City to its citizens.

Councilmanic Debt – Bonds authorized to be issued by a City Council (or other local governing body) without a vote of the people.

Coupon – The rate of interest to be paid by the issuer. Formerly, physical coupons were attached to bond certificates. They would literally be clipped and brought to

a bank or paying agent and presented for payment. Such certificated bonds are very rare today.

Covenant – A legally binding commitment by the issuer to the bondholder.

Cover Bid – The second-best bid received at a competitive sale.

Coverage – A ratio of the amount of project or utility revenues to the expected debt service requirements during a given 12-month period. Typically expressed in a covenant as a promise, e.g., to keep utility rates high enough to produce 1.25 times average annual debt service.

Credit Enhancement (or Credit Support) – Additional security provided for an issue of bonds. Examples of credit enhancement include bond insurance, guarantee agreements, contingent loan agreements, and letters of credit.

Dated Date – The date from which interest on a bond will accrue, usually the issue date.

Debt Per Capita – The ratio of bonded debt divided by population.

Debt Service Reserve Fund (DSRF) – A separate fund established in revenue bond issues as a reserve for the payment of debt service, into which an issuer may typically deposit cash, securities or reserve sureties. See *Reserve Requirement*.

Default – Failure to comply with terms of a bond issue, which may include making timely payment of principal and interest and other covenants.

Defeasance – Placement of cash or securities into an escrow or trust account to be used by the escrow agent or trustee for the payment of principal of and interest on bonds when due. Defeased bonds are no longer treated as "outstanding" debt.

Deficit – The excess of liabilities of a fund over its assets or the excess of expenditure over revenues during the accounting period. As used in State law relative to the budget, a deficit only occurs when expenditures exceed the sum of revenues and beginning cash balances.

Denomination – The face or par amount that the issuer promises to pay at a specific bond or note maturity.

Depository – A business that provides immobilization, safekeeping, and book-entry settlement services to its customers.

Designated Order – When a buyer gives credit to a certain dealer or dealers in an underwriting group.

Direct Debt – The debt that a municipality incurs in its own name.

Discount Bonds – A bonds initially sold at a price that is less than par, meaning that the issuer receives less in payment than the stated face value of the bonds. The amount of premium is usually described as a percentage below par. (For example, a \$100,000 face value bond might sell for 99% or \$99,000.) A purchaser buying discount bonds must consult their tax advisor regarding the tax treatment of discount bonds.

Dollar Bonds – Bonds that are quoted in terms of price rather than yield. These are the biggest and most common issues in the market and trade relatively frequently.

Double-Barreled Bond – A bond with two distinct revenue sources pledged to repayment, most typically a specific (but often narrow and subject to fluctuation) revenue stream and a broader stream such as a general obligation pledge.

Downgrade – A reduction in a bond rating.

Due Diligence – The investigation of a bond issue, by underwriter's and issuer's counsel, to ensure that all material facts related to the issue have been disclosed to potential buyers in the official statement (OS).

Duration – The sum of the present values of each of the principal and interest payments of a security, weighted by the time to receipt of each payment, divided by the total of the present values of the payments. Unlike average life or average maturity, duration takes into account the timing of both principal and interest payments.

Dutch Auction – An auction at which purchasers submit bids stating the lowest interest rate they will accept for a stated amount of bonds, and bonds are distributed among the purchasers, beginning with the lowest bidder, at the price bid by the last bidder to receive an allocation (the "clearing price"). Bids will be filled from the lowest yield (price offering the highest premium) until the entire issue has been allocated.

Encumbrance – The commitment of funds for a specific purchase of goods or services which reserves part of the appropriation (budget) of the department making the commitment. Used as a tool to prevent spending the same amount twice.

Enterprise Fund – A fund established to account for operations financed in a manner similar to a private business enterprise. In an Enterprise Fund, the cost of providing goods or services is fully recovered through user charges. The City's Enterprise Funds are the Water, Sewer, SSWM and Building & Development Services funds.

Escrow Account – A trust account established for a particular purpose, typically in conjunction with a refunding or defeasance of bonds.

Expenditures – Decreases in net current assets. Expenditures include debt service, capital outlays and those current operating costs which require the use of current assets.

Face Amount – The principal amount stated on a bond. *See also Par Value.*

Feasibility Study – A report by an independent expert on the economic need and practicality of a proposed program.

Federal Tax Code (or Code) – The Internal Revenue Code of 1954, as amended, and related interpretations.

Fiduciary Fund – Funds used to report assets held in a trustee or agency capacity for others and which cannot be used to support the government's own programs. The fiduciary fund category includes pension and other employee benefit trust

funds, investment trust funds, private-purpose trust funds and agency funds.

Financial Adviser (FA) – A finance professional hired to advise an issuer on finance matters including structuring of a proposed transaction, appropriateness of issuing debt and related issues.

Financial Capacity Analysis – An analysis of the community's ability to pay for capital facilities (roads, schools, parks, utilities, etc.) which would be required to provide service to its expected population over the six year planning horizon required by the State of Washington as part of the Comprehensive Planning Process

Fiscal year – A 12-month period not necessarily corresponding to the calendar year.

Floating Rate Bond or Floater – An obligation bearing interest at a variable rate that is reset periodically, ranging from daily to annually.

Flow of Funds – Typically a covenant requiring amounts to be paid into and out of specific funds in a particular order, ensuring that available money is applied first to the highest priority uses.

Full Faith and Credit – A pledge of any and all resources available to an issuer, including general taxing power, to repay its debt obligations.

Fund – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

In governmental accounting, funds are classified into three categories and seven generic fund types:

- Governmental Funds
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
- Proprietary Funds
 - Enterprise Funds

- Internal Service Funds (accounts for services provided by one department to another)

- Fiduciary Funds

Fund Balance – The difference between assets and liabilities reported in a governmental fund.

GASB 34 – Governmental Accounting Standards Board (GASB) Statement No. 34 which dictates how governments structure their financial reporting. The standard requires that Government-wide financial statements be prepared using accrual basis accounting and incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units.

General Obligation (GO) – A security backed by the full faith and credit of a municipality. General obligation debt is typically thought of as being backed by *ad valorem* property taxes. See also *Limited Tax General Obligation and Unlimited Tax General Obligation*.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards for financial accounting and reporting used to provide a consistent standard by which to measure financial presentations. The City of Bainbridge Island prepares its annual reports in accordance with GAAP (except as noted in the reports); however, GAAP is not used in the preparation of the City's annual budgets.

Global Certificate – A single certificate representing an entire issue, kept at a depository or book-entry agent.

Good Faith Deposit – A sum of money, usually 2 percent of par value, given by bidders to issuers when they bid for competitive deals. The sum, usually given as a cashier's or certified check, is returned to the bidder if the bid is rejected.

Grant Anticipation Note (GAN) – Short-term debt (usually three years or less) that is issued in anticipation of receiving a grant and is secured by those grant funds.

Grants – Assets, usually cash, given by one organization to another. The recipient is

the City and the grantor (donor) is usually the State or Federal government. It is illegal for Washington cities to make grants to private parties, including charities.

Gross Revenues – Typically includes all revenues received by a project (or an issuer) before payment of expenses for operation, maintenance or debt service.

Group Net Order – An order confirmed to the buyer where the sales credits benefit all members of the underwriting group.

Growth Management Act (GMA) – Legislation passed by the Washington State Legislature in 1990 which requires that certain cities and counties plan for population growth and to identify funding alternatives for the facilities needed by the increased population. The resulting plan is called the Comprehensive Plan.

Guaranteed Investment Contract (GIC) – An investment vehicle in which a financial institution guarantees a specified rate of return on investment. In Washington, true GICs are rare, and more commonly issuers invest bond proceeds in repurchase agreements (or “repos”) in which a financial institution sells investment securities to the issuer and promises to repurchase those securities at a definite time in the future for a stated price.

Guaranty (Guarantee) Agreement – A form of credit enhancement whereby an entity independent of the issuer agrees to provide credit enhancement to an issuer. For example, a public development authority (PDA) may obtain a guarantee from the city that created it that if the PDA is unable to make debt service payments, the city will provide additional funds to the PDA to be used for that purpose. See also *Contingent Loan Agreement*.

High-grade Bonds – Top-rated bonds, usually triple-A.

Hospital Revenue Bonds – Bonds sold by a state or local agency to finance construction of a hospital or nursing home, which is then operated under lease by a corporation.

Housing Bonds – Bonds issued by a state or local agency to finance construction of housing, and secured by mortgages. There are two types: single-family bonds, sold to provide residential mortgages, and multi-family, bonds sold to construct apartment buildings.

Impact Fees – Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

Indenture or Trust Indenture – A legal document creating a “trust estate” comprising the security for repayment of bonds. The indenture describes the terms and conditions of a bond offering, the rights of the bondholder, and the obligations of the issuer to the bondholder. Typically used in revenue transactions, and replaced by a bond ordinance or bond resolution for most general obligation bonds.

Industrial Development Bond (IDB) (or Industrial Revenue Bond (IRB)) – Tax-exempt securities sold by a public agency to finance qualifying facilities for private enterprises, such as water and air pollution control, ports, airports, resource recovery plants, and housing. The bonds are usually repaid by revenues from the corporate beneficiary.

Interest Rate Swap – An agreement between two parties to exchange future flows of interest payments. One party agrees to pay the other a fixed rate; the other pays the first party a variable rate usually tied to a short-term index.

Interfund Transactions – Transactions between funds including interfund loans, services provided and/or used, transfers & reimbursements.

Inverted Yield Curve – A market environment when short-term interest rates are higher than long-term rates. A typical yield curve shows lower short-term interest rates and higher long-term rates.

Investment Grade – Designation given by a rating agency to a security in one of its

top four categories, ranging from triple-A to BBB and Baa.

Joint and Several Obligation – A form of contract in which each of the signers is obligated for the full contract amount if other signers should default.

Junior Lien Bonds – Bonds issued with a subordinate claim against pledged revenues. Not associated with general obligation bonds.

Junk Bonds – Bonds rated lower than Baa by Moody's and BBB by Standard & Poor's.

Lease Financings – A financing structure in which an issuer enters into a lease for equipment and/or facilities that it typically will acquire at the end of a stipulated period.

Legal Opinion – The written conclusion of a lawyer about a bond's security, legality, and tax status.

Letter of Credit (LOC) – A form of security that provides liquidity and credit support, primarily for variable rate transactions. A financial institution promises to make cash available under certain conditions for debt service payments on behalf of the issuer or to be drawn during a remarketing or mode reset of variable rate demand obligations.

Level Debt Service – A debt service structure in which total principal and interest payments are approximately equal in each year over the life of the debt.

Levy Rate – The amount of taxes stated in terms of tax dollars per \$1,000 of assessed valuation of real or personal property for the determination of property taxes.

Liability – Debt or other obligations.

Limited Tax General Obligation Bonds (LTGOs) – A general obligation bond that is secured by the pledge of the full faith and credit of an issuer, including *ad valorem* tax revenues, all within the property tax limits under the state constitution and state law without a vote. See also *Councilmanic Debt or Nonvoted Debt*.

Line of Credit – A type of debt instrument in which a borrower may draw funds, up

to a maximum amount, and repay the principal plus interest, which is usually a variable rate that is set at the time a draw is made. Frequently used for short-term notes and during construction periods.

Local Improvement District (LID) – An area in which property owners are subject to compulsory special levies to pay for part or all of the cost of specific improvements deemed to benefit those specific properties.

Level of Service (LOS) – A standard or goal specifying the amount and/or quality of service to be provided in a particular area.

Managers – The chief members of an underwriting syndicate. The senior or book-running manager handles both the administration and allotment of the transaction.

Mandatory Redemption – A required redemption of bonds or a portion of a maturity of bonds, prior to the stated maturity. Used with term bonds or under extraordinary circumstances such as a default or sale of bond-financed property.

Mark to Market – Taking the actual, market value of a portfolio of securities.

Market Maker – A bank or underwriting firm that stands ready at any time to make a bid or an offer on a security.

Maturity – The date on which the principal amount of a security is due and payable.

Maximum Annual Debt Service (MADS) – The highest total debt service due in any given year over the life of a bond issue.

Mode or Interest Rate Mode – Provision in bond documents permitting a change in how interest is calculated, permitting changes between fixed rate and variable rate options, under specified circumstances.

Modified Accrual Basis – The accrual basis of accounting adapted to the governmental fund spending measurement focus. Under this basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. The City uses this basis in

accounting for all funds when preparing and reporting budgetary information.

Moral Obligation Bond – A municipal bond that is not backed by the full faith and credit of an issuer. The issuer has no legally enforceable obligation to pay.

MSRB – The Municipal Securities Rulemaking Board.

Multi-Modal Bonds – A bond issue in which the method of calculating interest may be changed from one interest rate mode to another under specified circumstances.

Municipal Research & Services Center – An organization funded by the State of Washington that provides advice to cities and counties at no cost. The advice includes legal advice, policy guidance and technical help. The organization also maintains a library of materials relevant to local governments.

Negotiated Sale – The sale of bonds to an underwriter selected by the issuer before the sale date.

Net Interest Cost (NIC) – Represents the average coupon rate of a bond issue, weighted to reflect the term of the bonds and adjusted for the premium or discount. It does not consider the time value of money, as does true interest cost (TIC). [NIC = (total coupon interest + (-) discount (premium)) / bond years]

Net Revenues – Typically defined as gross revenues less operating and maintenance expenses.

Notes – Short-term borrowings, usually maturing in less than three years. Used to cover seasonal cash flow needs or interim financing.

NRMSIR – A nationally recognized municipal securities information repository designated by the SEC.

Official Statement (OS) – A document prepared to provide potential bond purchasers with all material information about a bond issue, the security and sources of repayment for the bonds, the issuer and its financial condition. The SEC requires that an underwriter obtain from the issuer an OS for any publicly marketed bond issue of over \$1 million.

Operating Expenditures – Ongoing current expenditures to pay for the normal, recurring costs of the City.

Ordinance – A law passed by a local government.

Original Issue Discount (OID) / Original Issue Premium (OIP) – The discount (or premium) below (or above) the stated par amount of a bond that the initial purchaser pays to the issuer of a bond. For example, the *coupon* may be 4.00%, but the initial purchaser may offer to pay a price of 4.05% or 3.95%. The IRS has detailed rules on how bond purchasers must treat OID or OIP for income tax purposes.

Overlapping Debt – The proportionate share of debt issued by overlapping taxing jurisdictions (such as a park district or school district), in addition to an issuer's own direct debt obligations, for which the issuer's taxpayers may also be responsible. Used as a measure by bond rating agencies and potential purchasers to gauge the taxpayers' overall debt burden and their ability to repay.

Parity Bonds – More than one series of bonds, which may be issued at different times, but are payable from the same source of pledged funds and hold the same lien position against those funds.

Paying Agent – A bank or trust company appointed by an issuer to receive the money necessary for principal and interest payments from the issuer and distribute those payments to bondholders.

Pay-As-You-Go Basis – A financial policy that states that capital outlays will be paid from current revenues rather than from borrowing.

Pledge – The legal term for the promise of repayment, specifying the sources of repayment and any repayment-related covenants.

Pledged Revenues or Pledged Funds – The money set aside or revenue stream promised to be used solely for the payment of debt service and to provide security for payment of debt service, as specified in the bond documents.

Point – One percent of par value. Because bond prices are quoted as a percentage of \$1,000, a point is worth \$10, regardless of the actual denomination of the security.

Preliminary Official Statement (POS) – A version of the Official Statement that is often used by analysts and potential purchasers to form preliminary assessments of creditworthiness. The POS is “deemed final” by the issuer, and contains all material information about the bond issue except for pricing, yield and maturity information (and details related to pricing, yield and maturity). It contains a “red herring” disclaimer, printed in red ink, prominently displayed along the edge of the cover, stating that orders may not be taken based on the document.

Premium Bonds – A bonds initially sold at a price that is above par, meaning that the issuer receives more in payment than the stated face value of the bonds. The amount of premium is usually described as a percentage above par. (For example, a \$100,000 face value bond might sell for 101% or \$101,000, producing \$1,000 of premium for the issuer.) A purchaser buying premium bonds must consult their tax advisor regarding the tax treatment of premium bonds.

Present Value – The current value of a cash payment or revenue stream to be received in the future, calculated using an assumed rate of inflation or interest that could otherwise be earned, had that cash been received today.

Principal – The amount borrowed on a loan, or the par value (face amount) of a bond. A principal payment is also referred to as a “maturity” of bonds.

Private Activity Bonds – Bonds the proceeds of which will be used in a private trade or business (“private use”) and will be repaid with funds received from a private trade or business (“private payments”). A minimal amount of private use and private payment may not cause an issue of bonds to be treated as

private activity bonds. Private activity bonds may not be issued as tax-exempt bonds unless they meet the requirements under the Federal Tax Code for “qualified” private activity bonds, which may include receiving an allocation of volume cap.

Private Placement – An issue of bonds that is sold directly to one or more investors. Many private placements are sold as a single bond or note held by a bank and structured very similarly to a commercial loan. Other private placements may involve sophisticated security structures and may be sold to sophisticated investors. Most private placements may not be sold or remarketed by the initial purchaser to future bondholders.

Purchase of Development Rights (PDR) – Process by which the right to develop real estate is purchased by the City in order to preserve open space or agricultural property. See also Transfer of Development Rights (TDR)

Qualified 501(c)(3) Bonds – Bonds issued by a nonprofit 501(c)(3) organization that may be treated as tax-exempt under the Federal Tax Code.

Qualified Management Contract – A contract for management of a bond-financed facility that meets requirements under the Federal Tax Code relating to private activity bonds. Typical management contracts are entered into for management of golf course facilities, restaurants and food service, or parking facilities. A management contract that is not “qualified” risks tainting an entire issue of tax-exempt bonds.

Rate Covenant – A provision common to utility (and similar enterprise) revenue bonds, in which the issuer pledges to maintain utility rates (or other income streams that are necessary for bond repayment or for operations and maintenance of the bond-financed facilities) at the levels that are necessary to meet annual debt service requirements.

Ratings – An evaluation performed by an independent rating service indicating the

credit quality of an issue of bonds. Ratings for municipal bonds are not necessarily equivalent to ratings on corporate bonds, and potential investors should understand the bond market before making such comparisons. There are currently three major rating companies that provide ratings on municipal bonds: Moody's, Standard & Pooors, and Fitch.

Red Book – Formally known as The Bond Buyer's Municipal Marketplace, this is the standard directory of underwriters, bond counsel, financial advisers, rating agencies, credit enhancement firms, and providers of derivatives and investment products.

Redemption – The exchange by the issuer of cash for outstanding bonds, upon which the bonds are no longer outstanding. Early redemption refers to a redemption prior to the original stated maturity date, pursuant to mandatory or optional redemption provisions. Redemption provisions are also referred to as "call" provisions.

Refunding – A method of refinancing debt by selling a new bond issue to raise cash to for the redemption or defeasance of an outstanding bond issue. Refundings may be referred to as *current refundings* or *advance refundings*.

- *Current Refunding* – A refunding of bonds that are subject to redemption within 90 days of the issuance of the new (refunding) bonds.
- *Advance Refunding* – A refunding of bonds that are not subject to redemption with 90 days of the issuance of the new (refunding) bonds, requiring the establishment of a defeasance trust or escrow for the payment of principal of and interest on the bonds until their first call (redemption) date.

Reimbursement Agreement – An agreement to reimburse a provider of credit enhancement for any funds provided pursuant to that credit enhancement.

Remarketing Agent – A financial institution that agrees to periodically remarket (and thus set a new interest rate for) variable rate demand obligations.

Remarketing Agreement – The agreement with a remarketing agent regarding its responsibilities in remarketing an issue of variable rate demand obligations.

Reserve Requirement – A covenant by an issuer to maintain a debt service reserve fund or account sufficient to meet upcoming debt service requirements in the event that revenues pledged to a bond issue should be insufficient. A reasonably required reserve, under the Federal Tax Code, is equal to the lesser of: maximum annual debt service, 125% of average annual debt service, or 10% of the proceeds of a bond issue.

Revenue Bonds – Bonds payable solely from a stated revenue stream or revenue source, and not backed by the full faith and credit of the issuer.

Revised Code of Washington (RCW) – Washington State law.

SEC – The United States Securities and Exchange Commission.

State Environmental Policy Act (SEPA) – Washington law which requires a review of new development projects or master plans (including the City's Comprehensive Plan) for conformity with environmental protections.

Sinking Fund – A fund established for the deposit of money available for repayment of bonds at or prior to maturity.

SLGS (pronounced "slugs") – Securities issued by the U.S. Treasury, called the State and Local Government Series, that provide a stated rate of interest. They are typically purchased for deposit into a refunding escrow to carry out a refunding of bonds.

Special Revenue Fund – A fund used to account for money received from specific sources which restricts the spending of the money to specific purposes. GAAP only require the use of special revenue funds when the restriction is a legal requirement.

Status Quo – As used in this budget, status quo refers to a budget that provides the

same level of service in the current year as was provided in the previous last year.

Syndicate – A group of investment banks that join to bid on a new bond issue.

Tax Exempt Note Rate – Bankers Trust's weekly TENR is frequently used to peg the rates on variable rate bonds.

Tax-Exempt Bonds – Bonds whose owners may treat the interest income as exempt from federal income tax. Most municipal bonds are issued as tax-exempt.

Tax Increment Bond – Bonds whose repayment is secured by special assessments on landowners whose property stands to benefit from development or redevelopment.

Tax and Non-Arbitrage Certificate – A certificate of the issuer stating the issuer's assumptions and expectations that establish the basis for concluding that a bond issue may be treated as tax-exempt. This document describes expectations about the use of proceeds, the rate and which proceeds will be spent, and the restrictions on investment of proceeds. It also describes certain actions that an issuer may need to take in the future to maintain the tax-exempt status of the bond issue.

Taxable Bonds – Bonds whose owners may treat not the interest income as exempt from federal income tax. Municipal issuers may issue taxable bonds for portions of projects that do not otherwise qualify for tax-exemption.

TEFRA – Stands for the federal Tax Equity and Fiscal Responsibility Act of 1982. Shorthand for certain public hearing requirements applicable to tax-exempt private activity bonds under the Federal Tax Code.

Term Bonds – Bonds that are payable in mandatory redemption amounts prior to the stated maturity date. For example, \$1,000,000 of term bonds maturing in 2020 may be due and payable in mandatory redemption amounts of \$300,000 in 2018, \$300,000 in 2019 and \$400,000 in 2020.

Transfer of Development Rights (TDR) – Process by which the right to develop real estate is split from the real estate itself and sold separately. Allows growth to be concentrated and open space to be preserved without down-zoning. See also Purchase of Development Rights (PDR)

True Interest Cost (TIC) – A method of calculating interest cost while taking into account the time value of money.

Unlimited Tax General Obligation Bond (UTGO) – An issue of voted general obligation bonds by a Washington issuer, to which the issuer has pledged its full faith credit and taxing power, including a voter-approved excess property tax levy dedicated solely to repayment of the bonds and is not subject to otherwise applicable tax limitations.

Variable Rate – An interest rate that is not fixed at a particular rate at issuance, but may change during the life of the bonds in accordance with a specified index or procedure for establishing a new interest rate.

Variable Rate Demand Obligation (VRDO) – Variable rate bonds that give a bondholder the right to put (sell) their bonds back to a financial institution at certain specified periods, usually at rate reset dates or interest rate mode change dates, allowing bondholders to decide whether to continue to hold the bonds when a new interest rate is established.

Visible Supply – The total dollar value of bonds expected to be offered over the next 30 days. A number of organizations attempt to calculate the figure, which fluctuates as issuers decide whether or not to come to market.

Volume Cap – An allocation of private activity bond volume authorized to be issued by a particular bond issuer.

Warrant – A certificate giving the holder the right to purchase a bond at a specific price during a certain time period.

Yield To Maturity – The total return on a bond, taking into consideration its coupon, length of maturity, and dollar price.



Zero-Coupon Bonds – Bonds sold at a deep discount, and without a coupon, appreciating to full value at maturity. Also known as capital appreciation bonds or compound interest bonds.



ACRONYMS

| | |
|-------|--|
| ADA | Americans with Disabilities Act |
| AWC | Association of Washington Cities |
| BARS | Budgeting, Accounting & Reporting System |
| BIMC | Bainbridge Island Municipal Code |
| BIFD | Bainbridge Island Fire Department |
| CEMP | Comprehensive Emergency Management Plan |
| CERT | Community Emergency Response Team |
| CFE | Capital Facilities Element |
| CFP | Capital Facilities Plan |
| CLID | Consolidated Local Improvement District |
| DEM | Department of Emergency Management |
| EIS | Environmental Impact Statement |
| EM | Emergency Management |
| EOC | Emergency Operations Center |
| EOP | Emergency Operations Plan |
| ESA | Endangered Species Act |
| FAR | Floor Area Ratio |
| FTE | Full-Time Equivalent |
| GAAP | Generally Accepted Accounting Principles |
| GASB | Governmental Accounting Standards Board |
| GMA | Growth Management Act |
| GO | General Obligation |
| ICS | Incident Command System |
| ISTEA | Intermodal Surface Transportation Efficiency Act |
| KRCC | Kitsap Regional Coordinating Council |
| LID | Local Improvement District |
| LOS | Level of Service |
| LTGO | Limited Tax General Obligation |
| MRSC | Municipal Research Services Center |
| NMTP | Non-Motorized Transportation Plan |
| NPDES | National Pollution Discharge Elimination System |



| | |
|-------|---|
| PBB | Priority-Based Budgeting |
| PDR | Purchase of Development Rights |
| PEG | Public Education and Government |
| PSRC | Puget Sound Regional Council |
| PUD | Public Utilities District |
| PWTF | Public Works Trust Fund |
| RCW | Revised Code of Washington |
| ROW | Right-of-Way |
| SEPA | State of Washington Environmental Policy Act |
| SR | State Route |
| SRF | State Revolving Fund |
| SSWM | Storm & Surface Water Management |
| TIB | Transportation Improvement Board |
| TIS | Traveler Information System |
| TDR | Transfer of Development Rights |
| UATA | Urban Arterial Trust Account |
| WMP | Winslow Master Plan |
| WSDOT | Washington State Department of Transportation |
| WWTP | Wastewater Treatment Plant |

BAINBRIDGE ISLAND CITY GOVERNMENT

280 Madison Avenue N.
Bainbridge Island, WA 98110
City Hall Main Line: 206-780-8591
www.bainbridgewa.gov

Deputy City Manager: Morgan Smith: email msmith@bainbridgewa.gov

| 2019 Council members | | | | |
|---|--------------------------------|-----------------|--|----------------|
| Name | Ward/Position | Term Dates | Email | Phone |
| Ron Peltier | At Large Position No. 1 | 1/1/16-12/31/19 | rpeltier@bainbridgewa.gov | (206) 842-3601 |
| Kol Medina* | North Ward Position No. 2 | 1/1/16-12/31/19 | kmedina@bainbridgewa.gov | (206) 512-7155 |
| Joe Deets | North Ward Position No. 3 | 1/1/18-12/31/21 | jdeets@bainbridgewa.gov | (206) 473-1864 |
| Leslie Schneider | Central Ward Position No. 4 | 1/1/18-12/31/19 | lschneider@bainbridgewa.gov | (206) 200-4502 |
| Rasham Nassar | Central Ward Position No. 5 | 1/1/18-12/31/21 | massar@bainbridgewa.gov | (206) 300-6181 |
| Sarah Blossom | South Ward Position No. 6 | 1/1/16-12/31/19 | sblossom@bainbridgewa.gov | (206) 512-7639 |
| Matthew Tirman | South Ward Position No. 7 | 1/1/18-12/31/21 | mtirman@bainbridgewa.gov | (206) 379-8888 |
| Contact all Council members as a group via email at council@bainbridgewa.gov or via physical mail at 280 Madison Avenue North, Bainbridge Island, WA 98110. | | | | |

*Mayor

Key City Contacts

| | | |
|---|--|----------|
| City Clerk: Christine Brown, City Clerk | cbrown@bainbridgewa.gov | 780-8618 |
| Court: Telma Hauth, Court Administrator | thauth@bainbridgewa.gov | 780-3805 |
| Public Works Engineering: Barry Loveless, Director | bloveless@bainbridgewa.gov | 780-7313 |
| Public Works Operations and Maintenance (main line) | pwom@bainbridgewa.gov | 842-1212 |
| Finance: Karl Shaw, Interim Finance Director | kshaw@bainbridgewa.gov | 780-8606 |
| Planning: Gary Christensen, Planning Director | gchristensen@bainbridgewa.gov | 780-3756 |
| Police: Jeff Horn, Interim Police Chief | jhorn@bainbridgewa.gov | 780-4688 |