

SECTION 6



APPENDIX



SECTION 6: APPENDIX

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2021-2022 BUDGET DEVELOPMENT ACTIVITIES AND SCHEDULE

Action Item	Date	Comment
Update Financial Policies	Tuesday, June 30, 2020	Resolution 2020-08 passed by council on July 14, 2020
Cost allocation methodology update	Tuesday, June 30, 2020	Presentation to Council
Capital Improvement Plan	Tuesday, May 26, 2020	Presentation to Council
City staff work to develop initial operating budget and capital budget information	July - August, 2020	
Budget requests submittals	Wednesday August 5, 2020	Due to Finance from Departments
Mid-Year Report and forecasting	Tuesday, August 25, 2020	Presentation to Council
Planning Commission review and discussion of 2021 - 2026 CIP	Thursday, July 23, 2020	
City Staff complete final adjustments and balancing; production of budget documents	August-September	
Proposed Budget delivered to the public & City Council	Tuesday, September 22, 2020	Presentation to Council
City Council deliberations	October-November	
1st Reading 2021-2026 Capital Improvement Plan	Tuesday, September 8, 2020	Ordinance 2020-25
1st Reading 2021-2022 Biennial Budget	Tuesday, October 13, 2020	Ordinance 2020-XX and schedule Public Hearing
1st Reading 2021 Property Tax Levy	Tuesday, October 13, 2020	Ordinance 2020-XX and schedule Public Hearing
2nd Reading 2019-2024 Capital Improvement Plan		
Public Hearing on the 2021-2022 Biennial Budget	Tuesday, October 27, 2020	
Public Hearing on 2021 Property Taxes	Tuesday, October 27, 2020	Ordinance 2020-XX and schedule Public Hearing
2nd Reading and Adoption of the 2021-2022 Biennial Budget	Tuesday, November 24, 2020	Ordinance 2020-XX and schedule Public Hearing

RESOLUTION NO. 2020-08

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 2018.

WHEREAS, the City Council (“Council”) is responsible for setting financial and budget policies 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 and budget 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; Resolution No. 2016-19, updating the consolidated Financial Policies; and Resolution No. 2018-07, updating the consolidated Financial Policies; and

WHEREAS, the City Administration (“Administration”) requested, as part of the 2021-2022 biennial budget process, that the Council update the financial and budgetary policies that were adopted by the City prior to 2020; and

WHEREAS, the Council last updated the financial and budgetary policies as Resolution No. 2018-07; and

WHEREAS, the Council and Administration wish to establish an ongoing consolidated set of financial and budget 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:

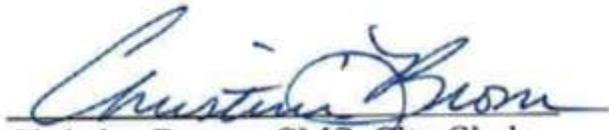
Section 1. The updated financial and budget Policies as shown in **Exhibit A**, which is attached hereto and incorporated herein by this reference, are hereby adopted.

PASSED by the City Council this 14th day of July 2020.

APPROVED by the Mayor this 14th day of July 2020

ATTEST/AUTHENTICATE:



Leslie Schneider, Mayor

Christine Brown, CMC, City Clerk

FILED WITH THE CITY CLERK: June 26, 2020
PASSED BY THE CITY COUNCIL: July 14, 2020
RESOLUTION NO.: 2020-08

Attachment: Exhibit A, Financial and Budget Policies

Exhibit A

FINANCIAL AND BUDGET POLICIES

Section 1. PURPOSE

The primary purpose of financial and budget 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 and budget 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.

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 into 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 Financial and 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 and Budget 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 and Budget 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 and Budget 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 and Budget Policies.

SECTION 14. EQUIPMENT RENTAL AND REVOLVING FUND

The Equipment Rental and Revolving (ER&R) Fund, as it may be amended from time to time, is hereby included in the Financial and Budget Policies.

SECTION 15. GRANTS

City Council approval is required to submit an application for grants over \$50,000, unless pre-authorized for acceptance by the City Council through ordinance or resolution. The \$50,000 threshold must include as part of the estimate any City “in-kind” labor used as matching funds, and City staff will describe to the Council the amount that is provided through the grant and the amount that is provided through in-kind matching funds.

For grants that are over \$50,000, or otherwise require Council approval, but for which there is an application deadline that does not allow City staff to obtain prior Council approval to apply for the grant, the Department Director shall obtain the approval of the City Manager or their designee prior to submitting the application and subsequently bring the grant to the Council for approval and ratification. Applications for grants in the amount of \$50,000 or less can be submitted without City Council approval, unless such approval is required by the granting agency.

The City Manager, or designee, is authorized to execute all required agreements and documents with a grant-issuing agency to effectuate any grant approved or accepted by the City Council.

To the extent that this section conflicts with any other policy or resolution adopted by the City Council, this section controls.

RESOLUTION NO. 2020-09

A RESOLUTION of the City Council of Bainbridge Island, Washington, updating the City’s Debt Policy.

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, in accordance with Chapter 35A.34 RCW and Chapter 2.82 BIMC, the City prepares a biennial budget with a mid-biennial review; and

WHEREAS, the City Administration (“Administration”) requested, as part of the 2021-2022 biennial budget process, that the Council update the financial and budgetary policies that were adopted by the City prior to 2020; and

WHEREAS, the Council last updated the City’s Debt Policy in August 2008 through the passage of Resolution No. 2008-14; and

WHEREAS, the City Council now desires to update the City’s Debt Policy to reflect changes in City Code, clarify certain sections, and incorporate current debt best practices.

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

Section 1. The debt policy adopted by Resolution No. 2008-14 is hereby repealed in its entirety and replaced as shown on **Exhibit A**, which is attached hereto and incorporated herein by this reference as if set forth in full.

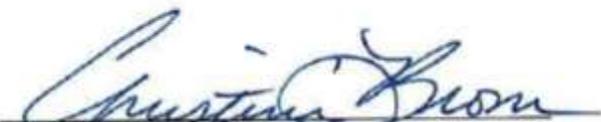
PASSED by the City Council this 14th day of July, 2020.

APPROVED by the Mayor this 14th day of July, 2020.



Leslie Schneider, Mayor

ATTEST/AUTHENTICATE:


Christine Brown, CMC, City Clerk

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

June 30, 2020
July 14, 2020
2020-09



Debt Policy
Department of Finance and Administrative Services

Prepared by Finance Director DeWayne Pitts
Initial Development:

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Purpose and Overview

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

Capital planning

The City shall integrate its debt issuance with its Capital Improvement Program (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying attention to financing priorities, capital outlays and competing projects. Long-term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs.

Authoritative Guidance

Legal Governing Principles

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

State Statutes – The City may contract indebtedness as provided for by [Chapter 35A.40.090 RCW](#). General Obligation indebtedness is subject to the limitations on indebtedness provided for in RCW 39.36.020(2)(b) and Article VIII of the Washington State Constitution. Bonds evidencing such indebtedness shall be issued and sold in accordance with [Chapter 39.46 RCW](#).

Federal Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the Treasury Department regulations there under; and the Securities Acts of 1933 and 1934.

Local Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by local rules and regulations.

Roles and Responsibilities

The City Council shall:

- Approve all indebtedness;
- Approve debt financing only for capital projects or to refund outstanding debt; debt shall not be issued for operating costs;

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- Approve the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and
- Determine, in consultation with the City's Financial Advisor, the City's Bond Counsel, the City Attorney's Office, and City Finance Director, the most appropriate instrument for a proposed bond sale.

The Finance Director in consultation with the City Manager, Deputy City Manager and Council shall:

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

Ethical Standards Governing Conduct

The members of the City Council will adhere to the requirements of the City's Code of Conduct and Ethics Program as well as [Chapter 42.23 RCW](#). City staff will adhere to the standards of conduct contained in the City's Employee Manual. The City Manager will adhere to the standards of conduct contained in the International City/County Manger's Association (ICMA) Code of Ethics or other standards specified upon appointment by the City Council.

Professional Services

The City shall procure professional services as required to execute financing transactions and to advise on non-transaction related work. Professional services may be provided by Municipal Advisors, Legal Counsel, underwriters, and other service providers such as rating agencies, trustees or escrow agents, verification agents, printers, arbitrage rebate calculation firms, or

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

Bond Counsel – With the exception of debt issued by the State on the City's behalf, all debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status, and any other components necessary for the proposed debt.

- **Financial Advisor** – A Financial Advisor may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring, and pricing of debt, and preparing official statements of disclosure.
- **Underwriters** – An Underwriter will be used for all debt issued in a negotiated sale method. The Underwriter is responsible for purchasing negotiated debt and reselling the debt to investors.
- **Fiscal Agent** – A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided under RCW 43.80, the City will use the Fiscal Agent selected by the State of Washington.
- **Professional Service providers** may be selected through a competitive selection process conducted by the Finance Director in consultation with City Attorney's Office. The City Council shall approve the most qualified financial advisor/underwriter and bond counsel.

Debt Structure

Types of Debt Instruments:

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

Unlimited Tax General Obligation Bonds – The City shall use Unlimited Tax General Obligation Bonds (UTGO), also known as "Voted General Obligation Bonds" as permitted under Article 7, Section 2(b) of the Washington State Constitution and laws of the state of Washington including, but not limited to, [Chapters 39.36, 39.46 RCW](#) and [Chapter 84.52 RCW](#). UTGO Bonds are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose.

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Limited Tax General Obligation Bonds – A Limited-Tax General Obligation debt (LTGO), also known as “Non-Voted General Obligation Debt” or “Councilmanic Debt”, requires the City to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The City shall use LTGO Bonds as permitted under Article 8, Section 6 of the Washington State Constitution and [Chapter 39.46 RCW](#) for general capital purposes only. LTGO Bonds are backed by the full faith and credit of the City and is payable from General Fund reserves and taxes collected by the City. LTGO Bonds will only be issued if:

- A project requires funding not available from alternative sources
- Matching fund monies are available which may be lost if not applied for in a timely manner; or,
- Emergency conditions exist

Revenue Bonds – The City shall use Revenue Bonds as permitted under [RCW 39.46.150](#) and [RCW 39.46.160](#) for the purpose of financing construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Plan. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City’s statutory debt limitation nor is voter approval required.

Special Assessment/Local Improvement District Bonds – The City shall use Special Assessment Bonds as permitted under [RCW 35A.40.080](#), for the purpose of assuring the greatest degree of public equity in place of general obligation bond as determined by Council. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the City. LID’s are formed by the City Council after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and a LID Guaranty Fund, as required by State Law.

Short Term Debt – The City shall use short term debt as permitted under [Chapter 39.50 RCW](#), for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long term funding has been secured but not yet received. The City may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund’s current operations. All inter-fund loans will be subject to Council approval and will bear interest at prevailing rates.

Leases – The City is authorized to enter into capital leases under [RCW 35.42.200](#), subject to the approval of City Council.

Public Works Trust Fund Loans – The City shall use Public Works Trust Fund Loans as provided under [Chapter 43.155 RCW](#) for the purpose of repairing, replacing or creating domestic

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water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste/recycling facilities and bridges.

Local Option Capital Asset Lending (LOCAL) Program Debt – The City is authorized to enter into a financing contract with the Office of the State Treasurer under [Chapter 39.94 RCW](#), for the purpose of financing equipment and capital needs through the State Treasurer’s Office subject to existing debt limitations and financing considerations. The LOCAL Program is an expanded version of the state agency lease/purchase program that allows the pooling of funding into larger offerings of securities.

Transaction Specific Policies

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

1. **Competitive Bid Method** – Any competitive sale of the City’s debt will require the approval of City Council. City debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the City.

2. **Negotiated Bid Method** – When a negotiated sale is deemed advisable (in consultation with City Council) the Finance Director shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions.

The City, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers. No debt issue will be sold on a negotiated basis without an independent financial advisor.

3. **Bond Refundings** – The City shall use refunding bonds in accordance with the Refunding Bond Act, [Chapter 39.53 RCW](#). Unless otherwise justified, the City will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any “advance refunding”, unless otherwise justified. The City, in consultation with its Financial Advisor, may approve a “current refunding” transaction of an existing debt issue if the refunding demonstrates a positive present value savings over the remaining life of the debt.

4. **Interfund Loans** – With Council approval, the City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected funds indicates excess funds are available and the use of the funds will not impact the fund’s current operations. All interfund loans will bear interest based at prevailing rates and have terms consistent with state guidelines for interfund loans.

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5. **Special Assessments** – When issuing debt, the City shall strive to use special assessment, revenue, or other self-supporting bonds in lieu of general obligation bonds.

Limitations on Debt Issuance

1. The City shall remain in compliance with all debt limitations. As part of the annual budgeting process, a current summary of outstanding debt and compliance targets is prepared. The City shall observe the following limitations on debt issuance:

- **General Obligation** – Maximum of 2.5% of Assessed Value ([RCW 39.36.020\(2\)\(b\)](#))
 - **Non-Voted:** 1.5% of Assessed Value - (Limited Tax General Obligation (LTGO) Bonds)
 - **Voted:** 2.5% of Assessed Value - (Unlimited Tax General Obligation (UTGO) Bonds)

2. Debt Limit Target: The City will reserve \$30 million of LTGO 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.

3. Net LTGO Debt Service: LTGO 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 revenues for the current or subsequent year.

4. The City will plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.

5. When considering new debt, City finance staff will conduct a debt affordability analysis to evaluate the City's ability to support long-term debt. The analysis will review available resources for debt and project the effects utilizing a ten- year recurring revenues and expenditure capacity analysis financial modeling tool. The financial assumptions shall be reasonable and shall take into account appropriately chosen sets 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.

Debt Structuring Practices

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

- **Maturity** –The City shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years ([RCW 39.46.110](#)).
- **Debt Service Structure** – Unless otherwise justified, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. If appropriate, debt service reserve funds may be used for revenue bonds.

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

Compliance Polices

Investment of Proceeds

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

Arbitrage Liability Management

Due to the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the City shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The City shall, when deemed necessary or required, contract with a third party for preparation of the arbitrage rebate calculation.

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

Washington State Department of Commerce and the Bond Users Clearinghouse

The City shall ensure that the Washington State Department of Commerce and the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by [RCW 39.44.200 – 39.44.240](#) and [WAC 365-130](#).

RESOLUTION 2020-09 EXHIBIT A

Legal Covenants

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

Other Policies

Periodic review

The City's debt policy shall be adopted by City Council. The policy shall be reviewed at least every four years by the Finance Director and modifications shall be submitted to and approved by City Council.

Credit Rating

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 City Council is 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.

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



2021 IAM SALARY COLA & STEP INCREASES

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

Range	Title	Steps								
		1	2	3	4	5	6	7	8	9
11	Parking Enforcement Officer	48,878	50,291	51,741	53,214	54,749	56,308	57,928	59,597	61,302
	Maintenance Technician I	4,073	4,191	4,312	4,435	4,562	4,692	4,827	4,966	5,109
	PerPayPeriod	2,037	2,095	2,156	2,217	2,281	2,346	2,414	2,483	2,554
12	Court Security Officer *									
	Judicial Specialist	53,787	55,322	56,905	58,525	60,230	61,948	63,738	65,553	67,441
	Administrative Specialist II	4,482	4,610	4,742	4,877	5,019	5,162	5,312	5,463	5,620
	Utilities Technician I									
	PerPayPeriod	2,241	2,305	2,371	2,439	2,510	2,581	2,656	2,731	2,810
13	Senior Judicial Specialist									
	Payroll Specialist									
	Senior Accounting Technician									
	Administrative Specialist III *	59,146	60,851	62,593	64,408	66,247	68,147	70,084	72,106	74,188
	Permit Specialist	4,929	5,071	5,216	5,367	5,521	5,679	5,840	6,009	6,182
	Senior Police Clerk									
	Evidence Technician									
	Maintenance Technician II									
	PerPayPeriod	2,464	2,535	2,608	2,684	2,760	2,839	2,920	3,004	3,091
14	Accountant									
	Arborist									
	Code Compliance Officer									
	Building Inspector/Plans Examiner									
	Deputy City Clerk									
	Planner									
	Signs & Markings Specialist II	65,066	66,941	68,866	70,839	72,861	74,956	77,100	79,328	81,630
	Mechanic II	5,422	5,578	5,739	5,903	6,072	6,246	6,425	6,611	6,803
	Water Resource Technician									
	Treatment Plant Operator II									
	Utilities Technician II									
	PerPayPeriod	2,711	2,789	2,869	2,952	3,036	3,123	3,212	3,305	3,401
15	Senior IT Specialist									
	GIS/CAD Specialist									
	Associate Planner									
	Construction Inspector	71,570	73,628	75,735	77,903	80,157	82,446	84,834	87,258	89,767
	Mechanic III	5,964	6,136	6,311	6,492	6,680	6,871	7,069	7,271	7,481



2021 IAM SALARY COLA & STEP INCREASES

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

Range	Title	Steps								
		1	2	3	4	5	6	7	8	9
	Financial Analyst									
	Maintenance Technician III									
	PerPayPeriod	2,982	3,068	3,156	3,246	3,340	3,435	3,535	3,636	3,740
16	Treatment Plant Operator III									
	Utilities Technician III									
	NPDES Permit Coordinator									
	Senior Planner	78,732	80,985	83,323	85,698	88,171	90,704	93,311	95,978	98,743
	Engineering Specialist (Water Resources)	6,561	6,749	6,944	7,142	7,348	7,559	7,776	7,998	8,229
	Engineering Project Manager									
	Operations Project Manager									
PerPayPeriod	3,280	3,374	3,472	3,571	3,674	3,779	3,888	3,999	4,114	
17	Engineer I	86,600	89,097	91,655	94,285	96,977	99,766	102,629	105,564	108,585
	Survey Program Manager	7,217	7,425	7,638	7,857	8,081	8,314	8,552	8,797	9,049
	PerPayPeriod	3,608	3,712	3,819	3,929	4,041	4,157	4,276	4,399	4,524
18	Engineer II	95,272	97,988	100,826	103,701	106,697	109,754	112,896	116,136	119,461
	Senior Plan Check Engineer	7,939	8,166	8,402	8,642	8,891	9,146	9,408	9,678	9,955
	PerPayPeriod	3,970	4,083	4,201	4,321	4,446	4,573	4,704	4,839	4,978

*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.



2021 UNREPRESENTED PAY SCALE

		Steps								
Range	Title	1	2	3	4	5	6	7	8	9
14	Harbormaster	65,066	66,939	68,858	70,832	72,857	74,958	77,106	79,322	81,630
	Monthly	5,422	5,578	5,738	5,903	6,071	6,247	6,426	6,610	6,802
15	Executive Assistant*, HR Analyst	71,577	73,634	75,735	77,905	80,145	82,452	84,828	87,250	89,762
	Monthly	5,965	6,136	6,311	6,492	6,679	6,871	7,069	7,271	7,480
16	Communications Coordinator	78,728	80,990	83,320	85,696	88,164	90,700	93,304	95,977	98,741
	Monthly	6,561	6,749	6,943	7,141	7,347	7,558	7,775	7,998	8,228
17	City Clerk, Court Administrator, Senior Financial Analyst, Emergency Management Coordinator, Public Works Supervisor, Public Works Administrative Supervisor, Public Safety Administrative Supervisor	86,610	89,100	91,645	94,286	96,982	99,769	102,625	105,573	108,611
	Monthly	7,218	7,425	7,637	7,857	8,082	8,314	8,552	8,798	9,051
18	Deputy City Attorney	95,269	97,997	100,820	103,699	106,692	109,753	112,893	116,128	119,463
	Monthly	7,939	8,166	8,402	8,642	8,891	9,146	9,408	9,677	9,955
19	Accounting Manager, Budget Manager, Engineering Manager, Current Planning Manager, Building Official, Public Works Manager, IT Manager, HR Manager, Project Executive	104,791	107,799	110,892	114,075	117,348	120,717	124,182	127,746	131,412
	Monthly	8,733	8,983	9,241	9,506	9,779	10,060	10,348	10,645	10,951
20		115,270	118,579	121,981	125,483	129,084	132,788	136,600	140,521	144,553
	Monthly	9,606	9,882	10,165	10,457	10,757	11,066	11,383	11,710	12,046
21	Deputy Police Chief	122,504	125,995	129,587	133,280	137,079	140,985	145,003	149,135	153,639
	Monthly	10,209	10,500	10,799	11,107	11,423	11,749	12,084	12,428	12,803
22	City Attorney, Police Chief, Finance & Administrative Services Director, Public Works Director, Planning & Community Development Director	134,772	138,612	142,563	146,626	150,804	155,103	159,523	164,070	168,992



2021 UNREPRESENTED PAY SCALE

		Steps								
Range	Title	1	2	3	4	5	6	7	8	9
	Per Pay Period	5,615	5,776	5,940	6,109	6,284	6,463	6,647	6,836	7,041
	Monthly	11,231	11,551	11,880	12,219	12,567	12,925	13,294	13,673	14,083
	PayRate	65	67	69	70	72	75	77	79	81
23	Deputy City Manager	148,248	152,473	156,819	161,288	165,885	170,613	175,475	180,477	185,891
	Monthly	12,354	12,706	13,068	13,441	13,824	14,218	14,623	15,040	15,491
25	City Manager	180,667	184,000							
	Monthly	15,056	15,333							



CITY OF BAINBRIDGE ISLAND POLICE PAY SCALE - 2021

Grade	Patrol Officer	Step A	Step B	Step C	Step D	Step E
1	Annual	74,051	78,374	82,935	87,769	92,878
	Monthly	6,171	6,531	6,911	7,314	7,740
	Per Pay Period	3,085	3,266	3,456	3,657	3,870
	Pay Rate	36	38	40	42	45

Grade	Corporal	Step A	Step B	Step C	Step D	Step E
1.5	Annual	-	-	-	97,538	102,173
	Monthly	-	-	-	8,128	8,514
	Per Pay Period	-	-	-	4,064	4,257
	Pay Rate	-	-	-	47	49

Grade	Sergeant	Step A	Step B	Step C	Step D	Step E
2	Annual	-	-	-	106,198	112,378
	Monthly	-	-	-	8,850	9,365
	Per Pay Period	-	-	-	4,425	4,682
	Pay Rate	-	-	-	51	54

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 & 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.

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

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City Hall Main Line: 206-780-8591
www.bainbridgewa.gov

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

2019 Council members				
Name	Ward/Position	Term Dates	Email	Phone
Kirsten Hytopoulos	At Large Position No. 1	1/1/20-12/31/23	khytopoulos@bainbridgewa.gov	(206) 482-4958
Kol Medina	North Ward Position No. 2	1/1/20-12/31/23	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	1/1/20-12/31/23	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
Michael Pollock	South Ward Position No. 6	1/1/20-12/31/23	mpollock@bainbridgewa.gov	(206) 475-1814
Christy Carr	South Ward Position No. 7	5/12/20-12/31/21	ccarr@bainbridgewa.gov	(206) 473-1682
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

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Court: Diane Hartman, Interim Court Administrator	dhartman@bainbridgewa.gov	780-3808
Public Works Engineering: Chris Wierzbicki, Director	cwierzbicki@bainbridgewa.gov	780-3718
Public Works Operations and Maintenance (main line)	pwom@bainbridgewa.gov	842-1212
Finance: DeWayne Pitts, Finance Director	dpitts@bainbridgewa.gov	780-8626
Planning: Heather Wright, Planning Director	hwright@bainbridgewa.gov	780-3754
Police: Joe Clark, Police Chief	jclark@bainbridgewa.gov	780-4686