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I. PURPOSE

The purpose of the Financial Planning Policy is to present the City of Sequim’s approach to assessing the future financial impacts of changes in economic conditions, City policies and the funding and operation of City services. Adherence to this policy will ensure that the City manages its finances in a prudent and thoughtful manner that maintains the City’s long-term financial health.

II. POLICY

- A. Policy Scope. This policy shall apply to the General and Streets Funds, and any other appropriate operational funds as determined by the Administrative Services Director.
- B. Time Horizon. The City’s financial planning will look at least six years into the future. The City may elect to extend its planning horizon further if conditions warrant.
- C. Long Range Financial Plan Content. The Long Range Financial Plan (LRFP) should include the following elements. Other elements may be included as needed.
 - 1. Economic Condition. The LRFP should include a discussion of the recent trends in national, state and local economic indicators such as employment totals, unemployment rate and taxable retail sales.,
 - 2. City Service Delivery Context. The LRFP should include a presentation of any important legislative or statutory changes, City annexations, service level or service changes and any new or revised agreements for regional service delivery.
 - 3. Revenue. The revenue section of the LRFP should include a presentation of the trends, key assumptions and projections for the City’s major revenues for the following areas:
 - i) Property Taxes
 - ii) Sales Taxes
 - (1) Trend in City sales tax revenue by industry sector.
 - (2) Trends and projections for new commercial development and related impacts.
 - iii) Utility Taxes
 - (1) Projected utility charges by utility type.
 - iv) Licenses and Permits
 - v) Intergovernmental Revenues



- vi) Charges for Goods and Services
 - vii) Fines and Forfeits
 - viii) Other Revenues
4. Expenditures. The expenditure section of the LRFP should include a presentation of the trends, key assumptions and projections for the City's expenditures. The areas covered by the LRFP's expenditure section should include historical data and projections for the following areas:
- i) Staffing levels and organizational changes.
 - ii) Personnel cost changes to include:
 - (1) Wages: cost of living adjustments, step increases, promotions and market adjustments
 - (2) Wage related benefits including insurance and pensions
 - iii) Growth and inflationary assumptions.
 - iv) Impacts of any proposed changes to interlocal service agreements and other major contracts.
 - v) Proposed capital investments including impact of the City's proposed Capital Improvement Plan and Equipment Acquisition and Replacement Plan.
 - vi) Other significant expenses.
 - vii) Fund Balance. The Fund Balance section of the LRFP should include a presentation of the historical trends and projections in total revenues, total expenses, net revenues and ending fund balance as compared to the Fund Balance and Reserve Level policy targets.
5. Debt. The LRFP should include any projected debt service payments and the relationship of debt service to overall expenses and revenues.
- D. Financial Planning Process
1. Plan Development. The Administrative Services Director shall develop the LRFP with the input from the City's management team.
 2. Plan Review.
 - i) The Administrative Services Director shall review an initial draft of the LRFP with the City's management team.
 - ii) The Administrative Services Director shall review a final draft of the LRFP with the City Council early in the budget process as outlined in the Budget Development Policy.
 3. Plan Update.
 - i) The City will update its long term financial plan as a part of the City's budget process.
 - ii) The Administrative Services Director shall update the LRFP as needed to reflect policy changes and financial decisions included in the City's adopted budget.



III. PROCEDURE

A. City Council

1. Approve the Financial Planning policy and any proposed revisions.
2. Review the Long Range Financial Plan and provide feedback on the plan's assumptions and projections.

B. City Manager

1. Propose revisions to the Financial Planning policy to City Council.
2. Ensure the City is in compliance with the Financial Planning policy.

C. Administrative Services Director

1. Prepare the Long Range Financial Plan.
2. Present the Long Range Financial Plan to the City's management team and to the City Council.
3. Revise the Long Range Financial Plan as needed based on policy changes and financial decisions included in the City's adopted budget.

IV. REFERENCES

A. Sequim Financial Policies

1. Budget Development Policy
2. Debt Management Policy
3. Capital Improvement Policy
4. Equipment Acquisition and Replacement Policy
5. Fund Balance and Reserve Level Policy

B. Sequim Municipal Code

1. Chapter 3.04: Sales or Use Tax
2. Chapter 3.24: Current Expense and Indebtedness Funds
3. Chapter 3.30: Contingency Fund
4. Chapter 3.36: Capital Projects Fund

C. Revised Code of Washington

D. Washington State Auditor's Office Budgeting, Accounting and Reporting System (BARS) Manual

E. Washington State Auditor's Office Small City Handbook

F. GFOA Best Practice Guides