



Anacortes City Council

City Council, Department Head, & Mayor Retreat

June 13, 2024

8:30 a.m.

Seafarers Memorial
601 Seafarers Way, Anacortes, WA

AGENDA

- Welcome and Agenda Overview
- Communication Styles Training Refresher
- Break
- Elected and Staff Roles and Relationships
- Role of Council Committees
- Lunch
- Fiber System Financing Plan
- Affordable Housing
- Break
- 2025 Budget Priorities and Policy Direction
- Adjourn

STRATEGIC PLANNING PROCESS





Long-Range Planning			Budget / Contract Approval		
					
Council Role: Affirm Vision/Purpose	Establish Goals	Establish/Prioritize Action Items	Review/Adopt Budget Conduct Meetings	Authorize Contracts (of \$15K or more)	Engage w/ Community And Staff
Staff Role: Support Vision/Purpose	Align Goals with Resources	Implement Priority Action Items	Prepare Plans and Oversee Functions	Plan & Complete Projects	Carry Out Day-to-Day Responsibilities

IAP2 Spectrum of Public Participation



Increasing Level of Public Impact

Public participation goal

Inform

To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.

Consult

To obtain public feedback on analysis, alternatives and/or decisions.

Involve

To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.

Collaborate

To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.

Empower

To place final decision-making in the hands of the public.

Fiber Financials & Financing Plan Options

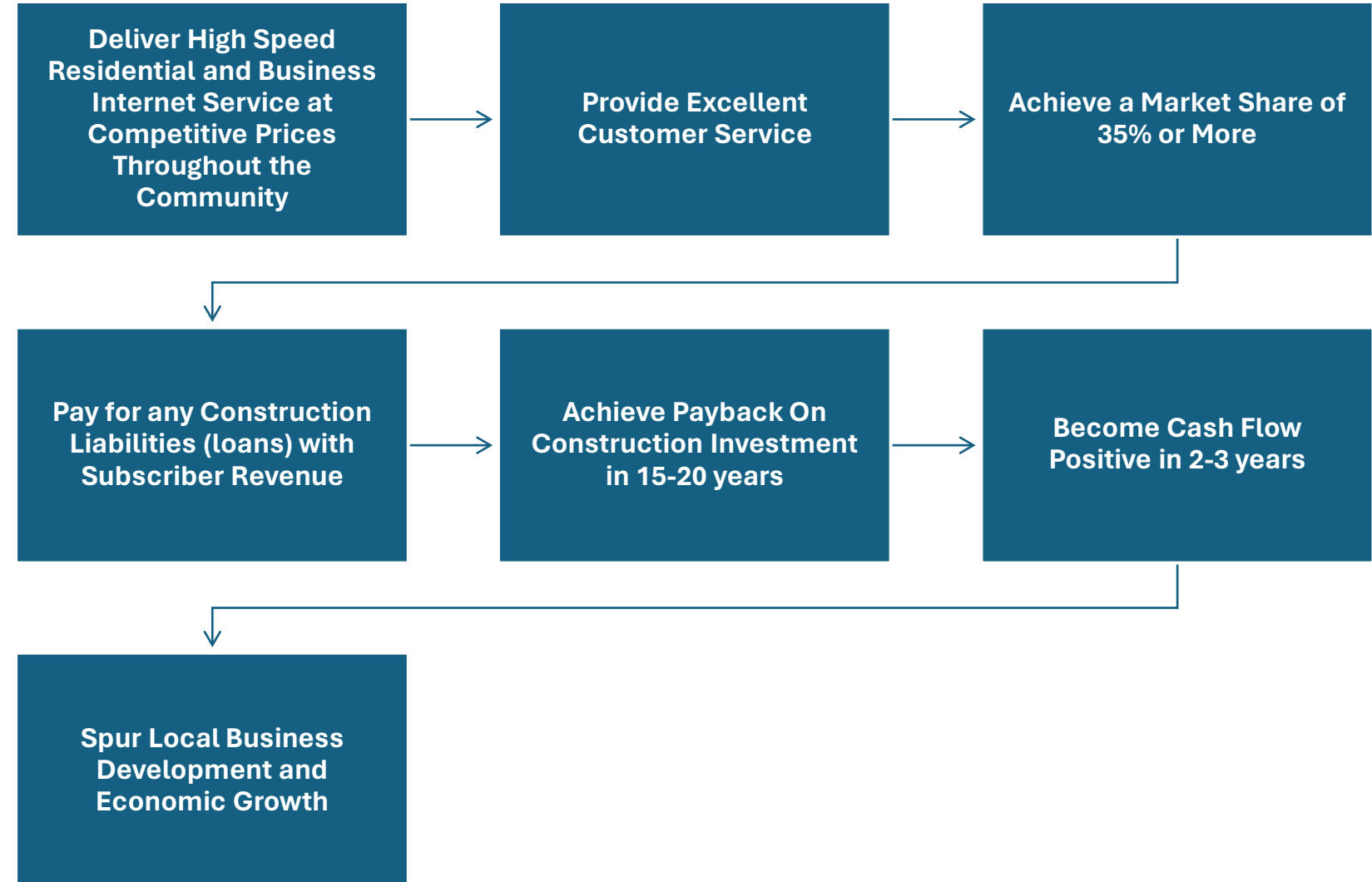


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ANACORTES FIBER INTERNET



Council/Dept Head/ Mayor Retreat
June 13, 2024

BUSINESS PLAN GOALS

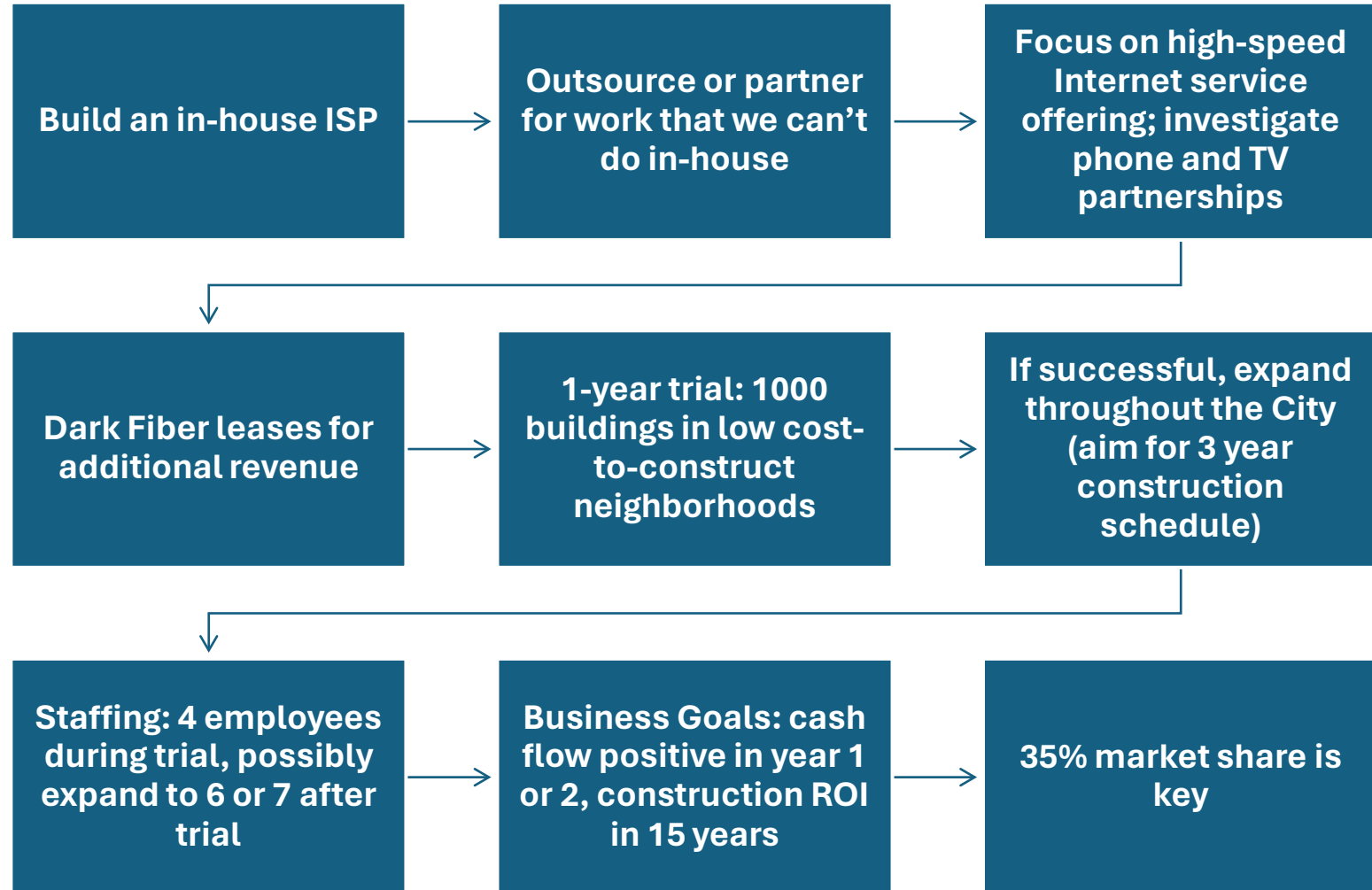


BUSINESS PLAN SUMMARY



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ANACORTES FIBER INTERNET



DEMAND FOR SERVICE OVERVIEW

Residential	Count	Monthly Revenue	Commercial	Count	Monthly Revenue	Other Customers
100Mbps	714	\$ 27,846.00	100Mbps	48	\$ 4,272.00	\$ 1,000.00
100Mbps managed	611	\$ 29,939.00	100Mbps managed	52	\$ 5,148.00	\$ 1,156.25
1Gbps	539	\$ 37,191.00	1Gbps	56	\$ 8,344.00	\$ 693.75
1Gbps managed	375	\$ 29,625.00	1Gbps managed	21	\$ 3,339.00	\$ 462.50
One Static IP	5	\$ 45.00	One Static IP	26	\$ 234.00	\$ 1,235.50
Five Static IPs	2	\$ 40.00	Five Static IPs	18	\$ 360.00	\$ 310.50
Total:	2239	\$ 124,686.00	Total:	177	\$ 21,697.00	
Grand Total		\$151,241.50				
	EDA	West End	Guemes View	AD HOC	Pilot Area	Total
Potential Customers	1815	2302	872	369	2273	7631
Sign-ups	837	1199	449	24	1283	3792
Take-Rate	46.1%	52.1%	51.5%	6.5%	56.4%	49.7%
In-Service	51	937	255	10	1163	2416
Percentage of Orders in Service	6.1%	78.1%	56.8%	41.7%	90.6%	
City Wide Potential Revenue:						
Residential	Count	Monthly Revenue	Commercial	Count	Monthly Revenue	
100Mbps	1117	\$ 43,563.00	100Mbps	70	\$ 6,230.00	
100Mbps managed	909	\$ 44,541.00	100Mbps managed	62	\$ 6,138.00	
1Gbps	895	\$ 61,755.00	1Gbps	72	\$ 10,728.00	
1Gbps managed	637	\$ 50,323.00	1Gbps managed	32	\$ 5,088.00	
Total:	3558	\$ 200,182.00	Total:	236	\$ 28,184.00	
Grand Total		\$228,366.00				

**FINANCIAL
SUMMARY**

**Network
Construction Costs**
stated in \$ millions

Network construction, inception – May 2024	\$16.6
Estimated network construction, June 2024 – Dec 2025	\$5.9
Total estimated network construction, inception – Dec 2025	\$22.5



Fiber Finances Overview



2025 Financial Projections	
Revenue	\$2,200,000
Operating Expenses	\$1,260,000
Available Cash	\$940,000

Bonding Options

City of Anacortes Comparison of Financing Results

Assumptions

- Total Project Amount: \$12,000,000
- AA rating
- First interest payment: December 1, 2025
- 10-Year Call Option
- Interest rates as of June 7, 2024

Scenario	Full payment in 2025	Interest-only in 2025	No payment in 2025	Full payment in 2025	Interest-only in 2025	No payment in 2025
Years	30	30	30	25	25	25
Par Amount	\$11,920,000	\$11,920,000	\$12,490,000	\$11,600,000	\$11,590,000	\$12,145,000
Capitalized Interest thru 12/1/2025 ⁽¹⁾	N/A	N/A	\$574,113	N/A	N/A	\$574,350
Principal Payments	12/1/2025-2054	12/1/2026-2054	12/1/2026-2054	12/1/2025-2049	12/1/2026-2049	12/1/2026-2049
Total Debt Service	\$21,950,988	\$22,095,144	\$22,549,401	\$19,839,694	\$19,984,681	\$20,334,858
Average Annual Debt Service	\$731,700	\$743,006 ⁽¹⁾	\$777,566	\$793,588	\$809,858 ⁽³⁾	\$847,586
True Interest Cost (TIC)	4.39%	4.39%	4.39%	4.25%	4.25%	4.25%

(1) Capitalized interest figures do not include offsetting interest earnings.

(2) Interest-only payment in 2025 is \$547,956; average annual debt service thereafter is \$743,006.

(3) Interest-only payment in 2025 is \$548,088; average annual debt service thereafter is \$809,858.

Total Bond \$12 M (for discussion purposes)
Projected Proceeds Use

Repay CoA Interfund Loan	\$6.95 M
CoA General Fund	\$5.05 M
Total	\$12.00 M



CASHFLOW, INCEPTION TO DATE

	2019	2020	2021	2022	2023	Jan-May 2024	TOTALS Inception thru May 2024	June 2024 - Dec 2025
CASH INFLOWS								
Operating revenues	\$541.26	\$332,670.95	\$667,646.59	\$1,136,027.62	\$1,517,209.83	\$730,888.73	\$4,384,984.98	\$3,060,352.29
Purchase card rebates	\$30.67	\$1,233.21	\$1,800.43	\$1,156.47	\$961.72	\$465.17	\$5,647.67	\$1,396.70
Grant proceeds								
2019 Skagit County .09 grant	\$122,257.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$122,257.57	\$0.00
2020 Covid grant	\$0.00	\$5,190.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,190.00	\$0.00
2022 Skagit County .09 grant	\$0.00	\$0.00	\$0.00	\$500,000.00	\$0.00	\$0.00	\$500,000.00	\$0.00
2023 Skagit County .09 grant	\$0.00	\$0.00	\$0.00	\$0.00	\$157,032.77	\$0.00	\$157,032.77	\$342,967.23
EDA grant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$622,543.00	\$622,543.00	\$1,631,188.00
Line of credit proceeds	\$0.00	\$0.00	\$4,500,298.38	\$0.00	\$0.00	\$0.00	\$4,500,298.38	\$0.00
Interfund loan proceeds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,950,000.00	\$6,950,000.00	\$0.00
Lease interest revenue	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3,654.44</u>	<u>\$2,802.80</u>	<u>\$0.00</u>	<u>\$6,457.24</u>	<u>\$0.00</u>
Total cash inflow for year	\$122,829.50	\$339,094.16	\$5,169,745.40	\$1,640,838.53	\$1,678,007.12	\$8,303,896.90	\$17,254,411.61	\$5,035,904.23
CASH OUTFLOWS								
Operating expenses	(\$547,058.36)	(\$937,961.33)	(\$975,877.74)	(\$998,745.42)	(\$1,143,707.71)	(\$492,689.71)	(\$5,096,040.27)	(\$3,112,926.81)
Network construction	(\$37,581.87)	(\$1,886,664.60)	(\$5,096,938.49)	(\$5,118,339.61)	(\$3,175,433.44)	(\$814,671.92)	(\$16,129,629.93)	(\$5,892,856.06)
Network equipment	(\$86,417.17)	(\$173,660.23)	(\$30,780.87)	(\$4,669.16)	(\$33,862.67)	(\$90,088.36)	(\$419,478.46)	\$0.00
Line of credit payoff	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>(\$4,500,000.00)</u>	<u>(\$4,500,000.00)</u>	<u>\$0.00</u>
Total cash outflow for year	<u>(\$671,057.40)</u>	<u>(\$2,998,286.16)</u>	<u>(\$6,103,597.10)</u>	<u>(\$6,121,754.19)</u>	<u>(\$4,353,003.82)</u>	<u>(\$5,897,449.99)</u>	<u>(\$26,145,148.66)</u>	<u>(\$9,005,782.87)</u>
NET CASHFLOW FOR YEAR	<u>(\$548,227.90)</u>	<u>(\$2,659,192.00)</u>	<u>(\$933,851.70)</u>	<u>(\$4,480,915.66)</u>	<u>(\$2,674,996.70)</u>	<u>\$2,406,446.91</u>	<u>(\$8,890,737.05)</u>	<u>(\$3,969,878.64)</u>

EXISTING INTERFUND LOAN

Stated in \$ millions

Sources of Proceeds	
Water Fund	\$4.00
Equipment Rental & Revolving Fund	\$2.95
Total Source of Proceeds	\$6.95
Uses of Proceeds	
Repay SaviBank line of credit	\$4.50
CoA General Fund	\$2.45
Total Use of Proceeds	\$6.95

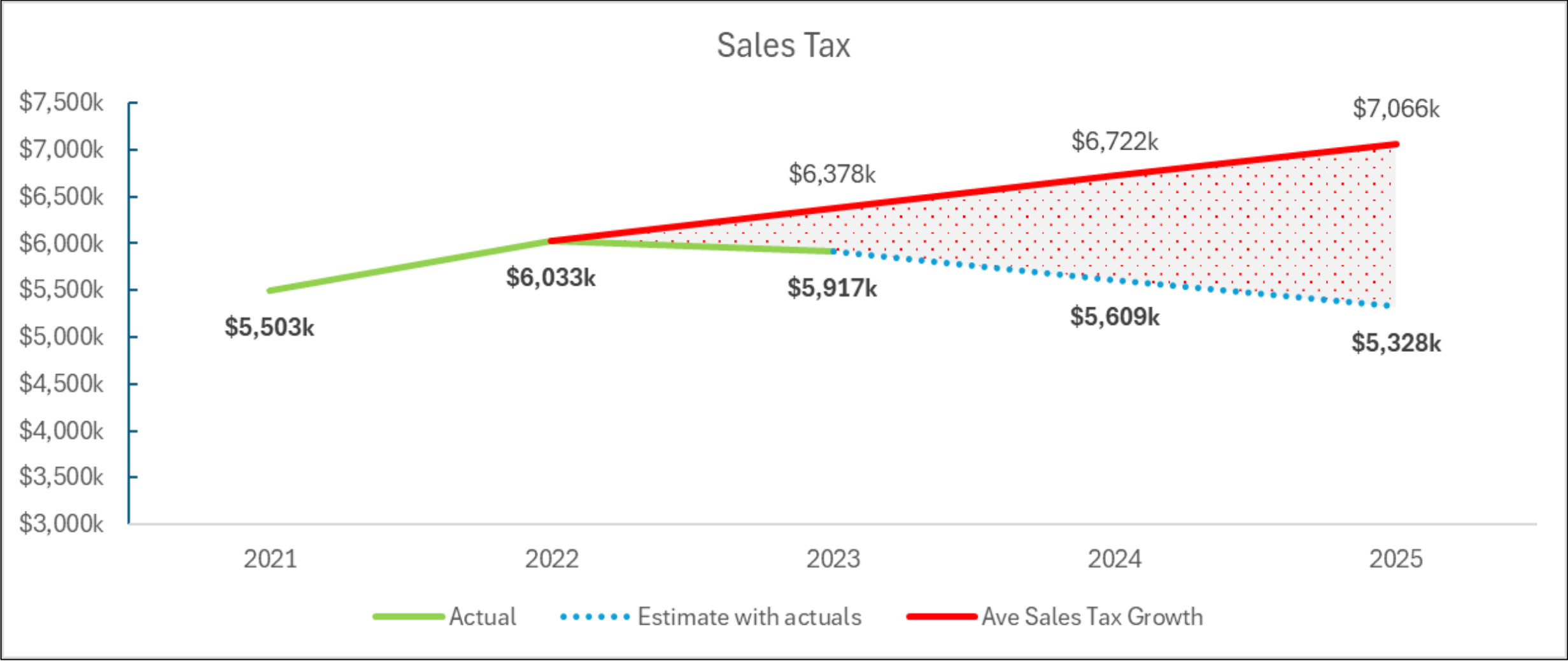
Discussion





2025 Budget Priorities & Policy Direction

Sales Tax Revenue Projections

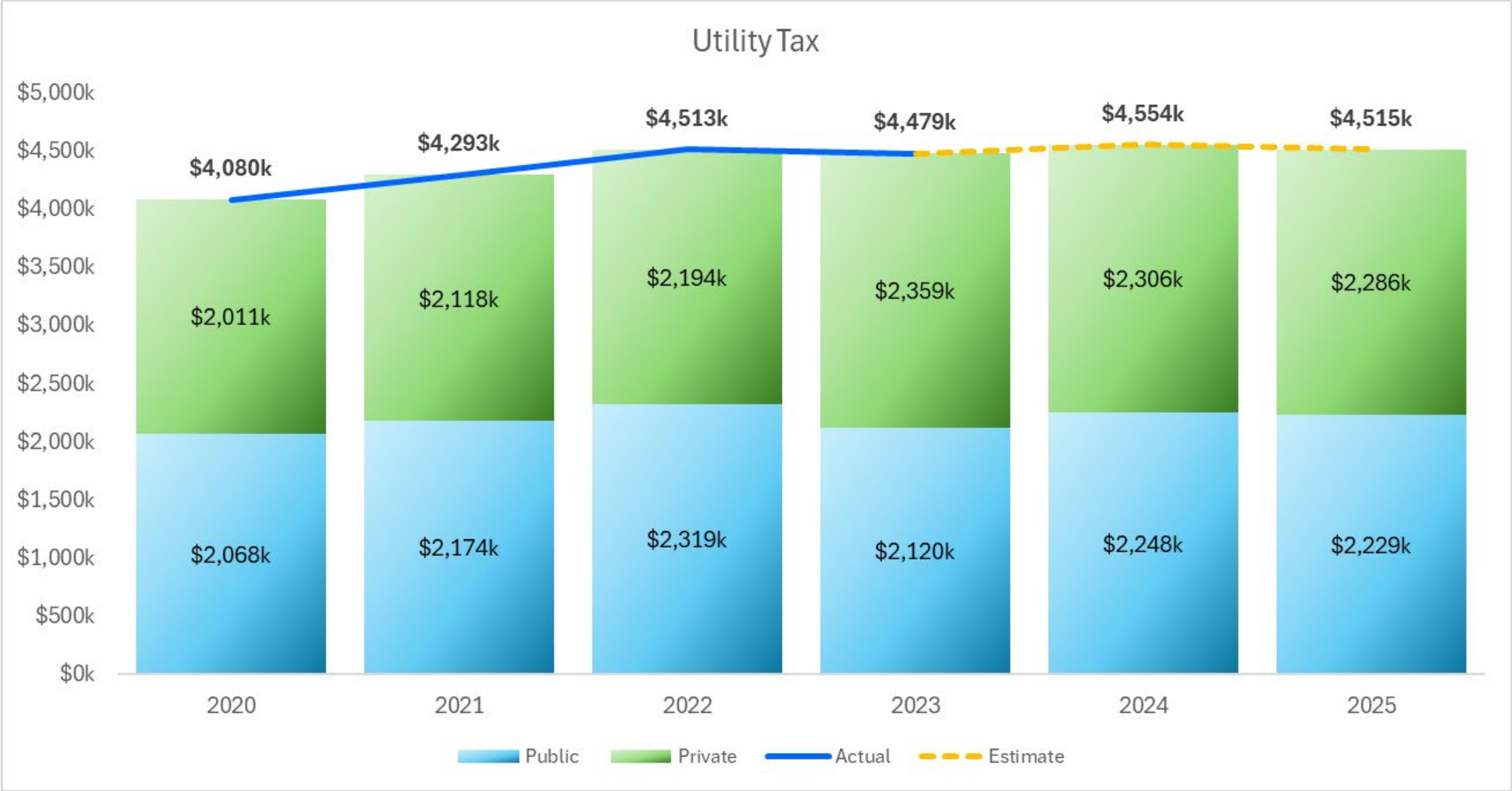


Revenue Projections

Summary Data								2021	2022	2023	2024	2025
Sales Tax	2021	2022	2023	2024	2025		Jan	396,463	430,965	454,978	451,111	428,556
Actual	\$5,503k	\$6,033k	\$5,917k				Feb	437,146	536,144	493,366	442,620	420,489
Estimate with actuals			\$5,917k	\$5,609k	\$5,328k		Mar	365,464	404,203	418,439	372,440	353,818
Ave Sales Tax Growth		\$6,033k	\$6,378k	\$6,722k	\$7,066k		Apr	364,730	410,901	407,381	419,899	398,904
							May	498,122	557,907	499,200	468,600	445,170
							Jun	471,508	493,751	417,866	396,049	376,247
							Jul	507,387	547,968	538,024	509,934	484,437
							Aug	518,037	559,209	618,620	586,321	557,005
							Sep	513,138	519,441	552,843	523,979	497,780
							Oct	500,010	539,090	532,029	504,251	479,039
							Nov	486,642	531,069	534,649	506,735	481,398
							Dec	444,329	502,643	450,070	426,572	405,243
	2015	2016	2017	2018	2019	2020		5,502,976	6,033,290	5,917,465	5,608,511	5,328,086
Budget	3,623,463	3,945,851	4,438,743	5,126,010	4,941,631	4,784,227	Budget	4,802,938	5,571,437	5,911,401		
	3,487,834	3,648,844	4,145,338	4,738,081	4,829,613	4,950,353						
	Jan-May	1,430,188	1,577,702	1,931,691	1,905,593	1,931,691	Jan-May	2,061,924	2,340,119	2,273,364	2,154,671	
								37%	39%	38%	38%	
		322,388	492,891	687,268	(184,380)	(157,404)		718,749	530,314	(115,825)		
		8.9%	12.5%	15.5%	-3.6%	-3.2%		15.0%	9.6%	12.3%	28.7%	20.5%
										6,777,199	7,612,833	6,757,704
							Ave growth (2016-2022)	344,261	6,377,550	6,721,811	7,066,072	

the Oct 2023 - Mar 2024 receipts have been normalized to accommodate the DOR error
estimate based on 2023 applying average % for Jan - May YoY
estimate projected to be slightly down, 5%, from PY

Utility Tax Revenue Projections



Property Tax Revenue Projections

2023 Assessments:	5,757,978,833
2023 Regular levy	5,648,286
2023 millage:	.98095
Lid lift levy:	2,086,667
Lid lift millage:	.3624
2024 new levy to support 13 new staff:	7,734,953 2024
new millage:	1.34335

67.67% of Anacortes voters approved a levy lid lift in 4/2023, setting property tax millage at 1.34335

Property Tax Revenue Projections

2024 Assessments:	6,257,125,354
2024 Actual levy	8,405,509
2024 millage:	1.3433
Levy difference:	794,611

When 2024 assessed values were set by the County Assessor, the new voter approved millage rate was applied.

Fiber Bond

Considerations for \$12M Bond

Bond issue in December 2024		Principal	\$	12,000,000			
	Options	25 Full Y1	25 Int Y1	25 None Y1	30 Full Y1	30 Int Y1	30 None Y1
Term		25	25	25	30	30	30
Interest Rate		4.25%	4.25%	4.25%			
Payment Due 12/1/2025		793,588	548,088	0			
Payment Due 12/1/2026 - 2049		793,588	809,858	847,586			
Total paid over 25 years		19,839,694	19,984,681	20,334,858			
Interest Rate					4.39%	4.39%	4.39%
Payment Due 12/1/2025					731,700	547,956	0
Payment Due 12/1/2026 - 2054					731,700	743,006	777,566
Total paid over 30 years					21,950,988	22,095,144	22,549,401
<u>Options</u>							
25 Full Y1	25 year term, with full payment of principal and interest due year one and every year thereafter.						
25 Int Y1	25 year term, with interest only payment due year one, and full payment every year thereafter.						
25 None Y1	25 year term, with no payment first year, and full payment due every year starting year 2.						
30 Full Y1	Same as 25 year option, except paid back over 30 years.						
30 Int Y1	Same as 25 year option, except paid back over 30 years.						
30 None Y1	Same as 25 year option, except paid back over 30 years.						

Event Center

Lodging Tax Revenues

The City of Anacortes is allocated the basic, or state shared lodging tax (AKA hotel/motel tax), which is 2% of lodging stays, and also collects an additional (or special) lodging tax that is 2% on top of the other state and local sales tax rate. The use of Lodging Tax revenues are outlined in RCW 67.28.1815-1816, and include operations and capital expenditures of tourism-related facilities owned or operated by a municipality.

	2019	2020	2021	2022	2023	2024
Total:	434,445	275,588	500,891	566,294	607,867	155,212
Jan - May Revenue:	118,030	90,025	100,043	138,570	164,937	155,212
% Collected by May:	27.17%	32.67%	19.97%	24.47%	27.13%	591,057
Cash balance: 6.11.24	1,447,512					
Even Center Cost:	10,000,000					
Down Payment:	1,550,000					
Principal:	8,450,000					
Interest:	4.39%					
Term (Years):	30			566,294	607,867	591,057
Annual Debt Service:	(512,065)	Balance after debt service:		54,229	95,802	78,992

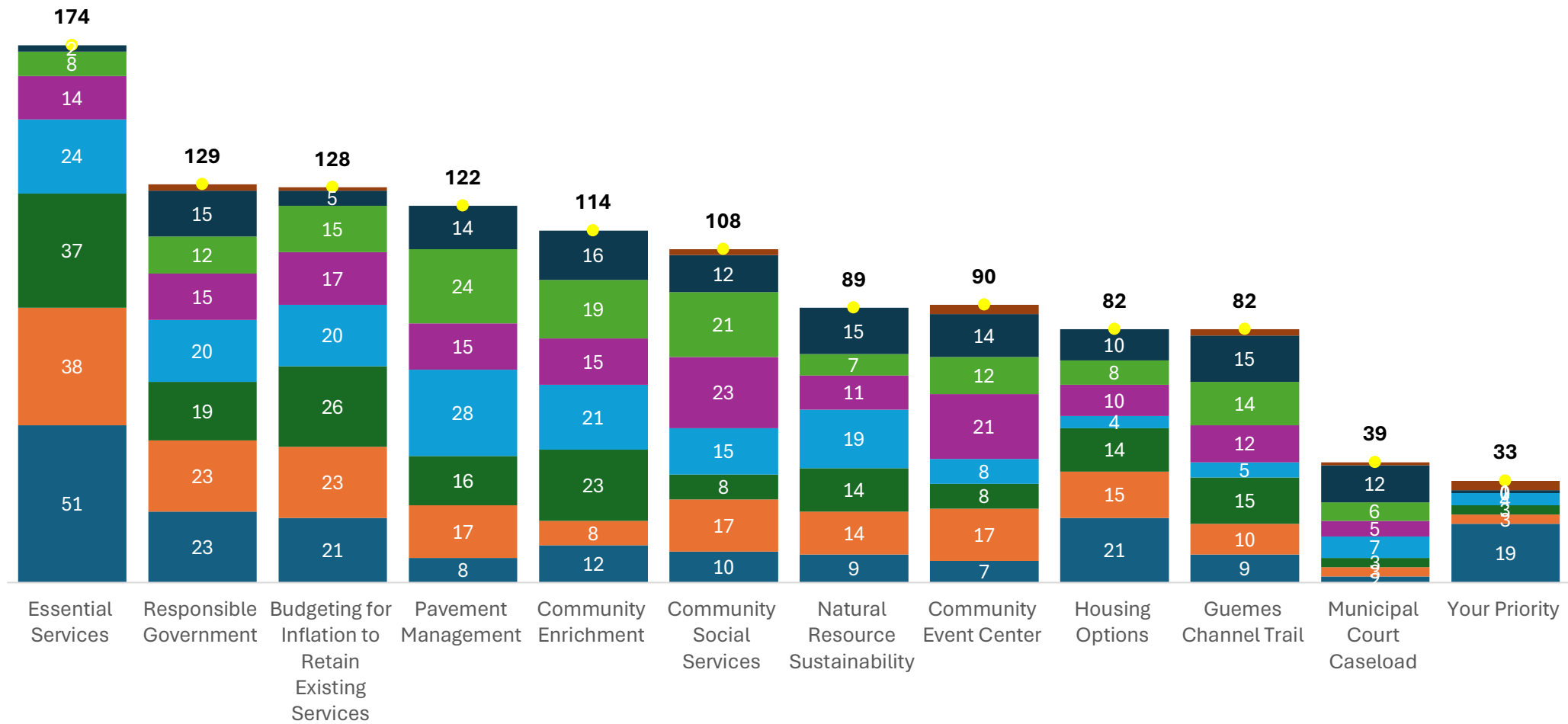
Summary of FEMA Projects

FEMA Management			
Project Name	Disaster Time Frame	FEMA Project Number	Repair Type
WWTP Outfall	(Jan 20, 2020 to Feb 10, 2020)	DR-4539 / Project # 333395	Replace in separate location
Guemes Channel Trail (Section 2)	(Nov 5, 2021 to Dec 2, 2021)	DR-4635 / Project # 668654	Repair in kind up to current code and standard
Guemes Channel Trail (Section 3)	Dec 26, 2021 to Jan 15, 2022	DR-4650 / Project # 674673	Repair in kind up to current code and standard
Guemes Channel Trail (Section 1)	(Dec 29, 2020 to Jan 16, 2021)	DR-4593 / Project # 188464	Repair in kind up to current code and standard
Whistle Lake Trail Debris	(Dec 29, 2020 to Jan 16, 2021)	DR-4593 / Project # 188456	Debris Removed
Water Treatment Plant Sink Hole	(Nov 5, 2021 to Dec 2, 2021)	DR-4635 / Project # 668218	Filled in
Water Treatment Plant Raw Water Line	(Nov 5, 2021 to Dec 2, 2021)	DR-4635 / Project #	Repair in Kind up to current code and standard
WA Park Trail (Section 1)	(Nov 5, 2021 to Dec 2, 2021)	DR-4635 / Project # 668219	Alternate Project
WA Park Trail (Section 2)	Dec 26, 2021 to Jan 15, 2022	DR-4650 / Project #674670	Alternate Project
U Ave Shoreline	Dec 26, 2021 to Jan 15, 2022	DR-4650 / Project # 674641	Alternate Project
Pump Station 8 - Emergency Relocation of entire station	Dec 26, 2021 to Jan 15, 2023	DR-4650 / Project # 710141	Repair in Kind up to current code and standard
Pump Station #8-Relocation of entire Station	Dec 26, 2021 to Jan 15, 2022	DR-4650 / Project # 674638	Repair in Kind up to current code and standard
Sandbagging Skagit River Dike	(Nov 5, 2021 to Dec 2, 2021)	DR-4635 / Project # 668569	Sandbagging Removed & Paid

FEMA Alternative Projects

Alternative Project	Costs Proposed to be Covered by Alternative Project
WA Park Trail Alternate Project # 668219	\$ 3,038,191.00
WA Park Trail Alternate Project # 674670	\$ 3,239,053.25
U Ave Shoreline Project # 674641	\$ 1,400,000.00

Rank	Name	status	Cost	Year
1	Ladder Truck	purchase agreement and progress payment made	1,622,010	2024
2	Police - One Traverse	purchase agreement	44,793	2024
3	Police - Three Tahoes	purchase agreement	249,375	2024
4	Fire Station 3 Purchase	purchase agreement and supporting docs including escorw receipts	1,853,000	2023
5	Fire Truck	purchase agreement and progress payment made	1,122,013	2023
6	Equipment 2022-2023, see sheet 3	receipts	1,386,053	2022-2023
7	Event Center	estimate	6,000,000	Not built but would be on port property



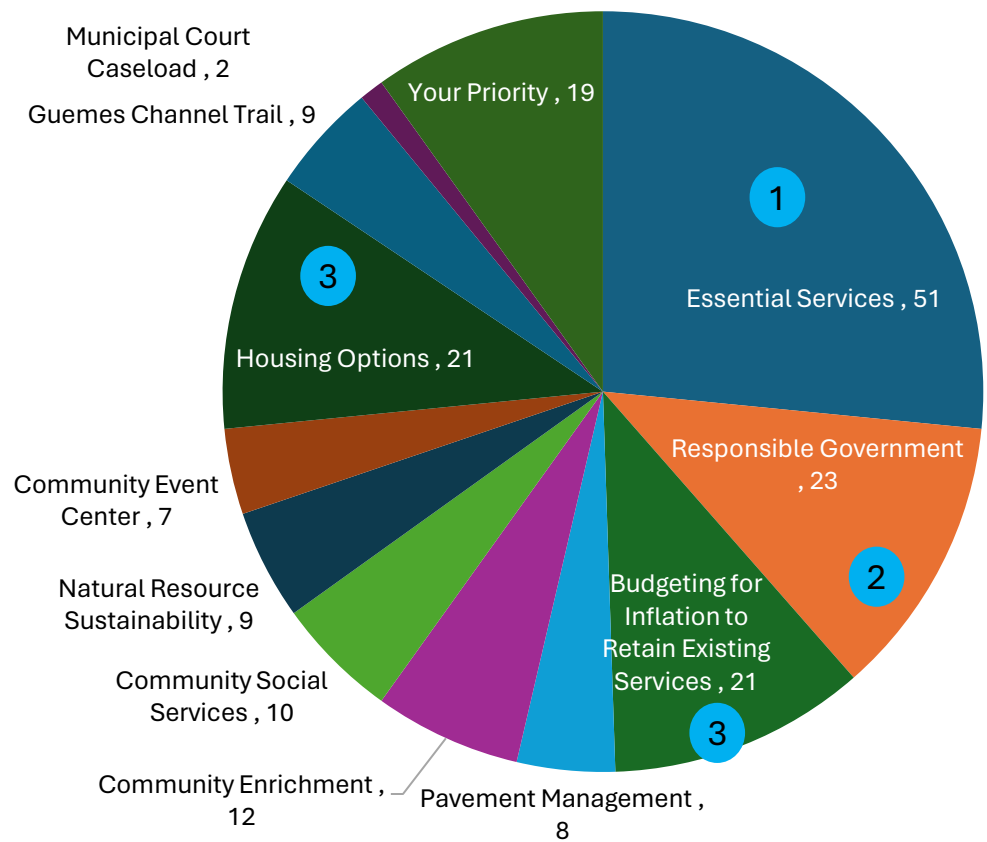
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Budget Priority Survey

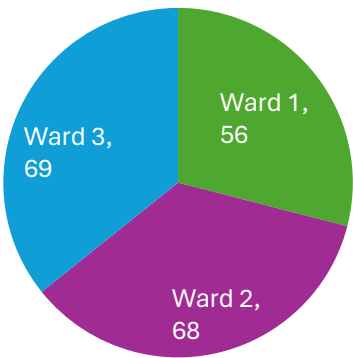
193 responses as of 6/11/2024 | Essential Service chosen by 174 respondents

Budget Priority Survey

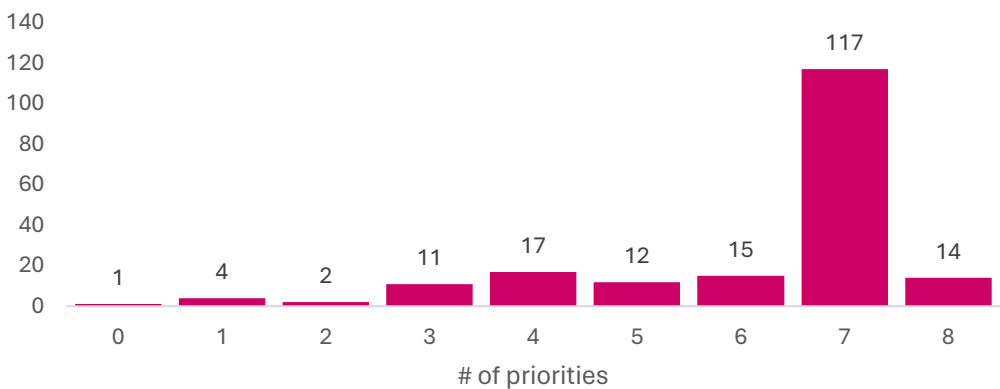
#1 Responses



By Ward



Not everyone chose 7 priorities



Department Budget Insight

Department	Division	Project	CFP	Budget Impact	Notes
Administrative Services	Fiber	Fiber expansion in EDA area	Yes	XXX	
Administrative Services	Office of Public Defense	Implementation of Changes to Standards for Indigent Defense Services (caseload limits, services)	No	XXX	
Finance	Finance	Enterprise Resource Planning Software	Yes	\$700,000	First year implementation while maintaining Eden
Human Resources	Wages and Benefits	Projected Wage and Health Insurance Increases for 2025		\$2M	1.33M wages, 680,000 benefits, 2M total, 245 employees
Legal	Prosecutor's Office	Maintain Funding for In-house Prosecutor	No	XXX	
Library	Library ILS	Exploring joining the Skagit Library Consortium and migrating to shared ILS (library catalog)	No	\$30,000	
Museum	Museum	Storage and Workshop Construction	Yes	\$180,000	\$50k Reserves, \$130k REET1

Department Budget Insight

Department	Division	Project	CFP	Budget Impact	Notes
Parks and Recreation	Cemetery	Columbarium Purchase and Install	No	\$50,000	Cash reserves
Parks and Recreation	Senior Activity Center	Classroom Expansion	No	\$50,000	Cash reserves
Parks and Recreation	Washington Park	Campground Updates	Yes	\$50,000	Cash reserves
Parks and Recreation	West End Park	West End Park	Yes	\$350,000	REET 1 contribution, anticipate additional \$100,000 in local donations
Parks and Recreation	Depot South Plaza	Depot South Plaza	Yes	\$85,000	City match needed if awarded \$500,000 from County Economic Development Grant
Parks and Recreation	Ship Harbor	Ship Harbor Rebuild Phase I and II	Yes	\$1M	Ph 1: repair damage, Ph 2: connect to state ferry

Department Budget Insight

Department	Division	Project	CFP	Budget Impact	Notes
PCED	Planning	Creosote Pile Removal & Replacement per DNR Aquatic Land Lease Requirements	Yes	\$180,000	\$120k budgeted in 2024
PCED	Economic Development	Economic Development Professional Services for Strategic Plan Follow-Up	No	\$50,000	
PCED	Planning	Workflow Process Improvements and Permitting Portal Implementation (SmartGov)	No	\$50,000	
PCED	Planning	Comp Plan Update (Mostly Consultant costs paid from \$125K Grant)	No	XXX	Grant funding/pass through
PCED	Planning	Climate Element (Mostly Consultant costs paid from \$500K Grant)	No	XXX	Grant funding/pass through
PCED	Economic Development	Event Facility	No	\$500,000	300k LTAC supplemented with other funding to be explored

Department Budget Insight

Department	Division	Project	CFP	Budget Impact	Notes
Public Works	Operations	Breakwater Repair	No	\$500,000	
Public Works	Transportation	Commercial Avenue: 11th-13th Streets	Yes	\$3.575M	Currently at 30% design. Includes 30% contingency
Public Works	Transportation	Commercial Avenue: 13th -34th Streets	No	\$3.8M	1.8M pavement management funds, 1.5M estimated grant funds, balance to be budgeted. Project is dependent upon grant funding to occur in 2025.
Public Works	Wastewater	Outfall	Yes	\$8.5M	Project costs partially incurred in 2024. Approximately 50% of project in 2024 (8.5M), 95% FEMA funded. Contracts are all executed, start date in early July
Public Works	Wastewater	CSO Pump Station	Yes	\$4.5M	90% design, construction planned for Summer 2025. No outside funds, wastewater utility funded.

Department Budget Insight

Department	Division	Project	CFP	Budget Impact	Notes
Safety	APD	NA	NA	NA	Focus on hiring and training
Safety	AFD	Fire Station 1 Remodel & Station 2 and Station 3 Communication Upgrades	Yes	\$300,000	\$270,000 fire impact fees, \$30,000 EMS funds
Safety	AFD	Replacement of Reserve Medic Unit	Yes	\$350,000	EMS funds

City Council
2025 Budget
Policy
Discussion

