

**CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: Public Hearing
DATE: July 26, 2007
SUBJECT: Budget Amendment

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is to hold a public hearing on amendments to the City's 2007 Budget to ensure that General Fund Revenues equal General Fund expenses.

- The amended 2007 General Fund anticipated revenues equal \$1,911,994 after proposed reductions/increases in anticipated revenues.
- The amended 2007 General Fund anticipated expenses after proposed reductions/increases equal \$2,080,405.
- The overall short-fall in the General Fund after proposed cuts/increases is \$168,411.

STAFF RECOMMENDATION

1. Hold a public hearing on amendments to the City's 2007 Budget as presented in the supporting materials attached to this agenda cover.
2. Reallocate staff resources from the General Fund to the Enterprise Funds (water, sewer, garbage, etc.) as presented in the supporting materials attached to the agenda cover. The budget amendment ordinance will include adjustments to both the General and all other impacted funds.
3. Do not fill the two vacant positions in the police department.
4. Reduce staffing in the police department from 8 budgeted patrol officer positions to 4 budgeted patrol officer positions. Total department staffing would be 1-Chief, 4- patrol officers, .5 FTE administrative manager position.

The proposed actions will reduce the budget shortfall from \$168,411 to \$117,610. There will be addition savings in uniforms, vehicle costs and pre-employment testing accrued by reducing the number of patrol officers. These additional savings could amount to approximately \$17,000. Leaving the short-fall at approximately \$100,000.

City staff are recommending the Council focus on selling city properties or reducing staff further to close the gap.

SUBCOMMITTEE RECOMMENDATION

The City Council Governmental Services subcommittee met on July 19, 2007 to discuss amendments to the 2007 General Fund Budget to address changes in revenues and expenditures. Proposed changes to the General Fund are outlined in the "Expenditure Overview" and "Revenue" documents attached to this agenda cover.

Accept staff recommended changes as presented in supporting materials attached to this agenda cover.

In addition, the subcommittee directed staff to explore the following:

1. Contact PUD regarding street light funding alternatives (e.g. home owners associations, private resident billing, and rolling blackouts). Forming a street light utility is not an option by court decision.
2. Not hiring provisional police officers to fill vacant positions a \$24,000 savings.
3. Review the Community Development Director contract
4. Explore reducing hours at City Hall
5. Finalize the Redflex contract as a potential source of revenues
6. Advertise passport services
7. Initiate a campaign to license pets in Sultan to support animal control services

SUMMARY:

The City is collecting less in anticipated revenues and has unanticipated expenses.

- 2007 General fund budget estimated at \$2,149,429

Revenues

- Forecast revenues in the 2007 budget are approximately \$237,435 less than anticipated year-to-date.
 - \$1,911,994 adjusted General Fund budget
 - Building, zoning, permit and plan check fees from new development

Expenses

- Forecast expenses for 2007 are higher than anticipated \$168,411
 - Internal affairs investigations \$70,000
 - Criminal investigation \$30,000

- o Back-fill chief's position \$30,000
- o Growth management \$40,000

Impact

- Police services estimated at \$1,044,000 including adjustments through March 2007. Even with the proposed budget cuts, the Police Department budget is \$121,376 over budget.
- Planning, Building, Code Enforcement, Animal Control, Park Maintenance, Finance, Administration = \$789,000 remaining General Fund Budget
- Revenue short-fall likely to continue through 2008
- Total 2007 short-fall (adjusted revenues – adjusted expenses) = \$350,000 to \$450,000

Year to Date Actions

- February 2007 - Completed a Five-Year Revenue/Expenditure forecast
- April 2007 - Delayed hiring Finance Director and Associate Planner positions
Savings \$56,000
- May 2007 – Completed a 10-year forecast of development fee projections
- June 2007 – Budget retreat includes discussion of voter approved Levy Lid Lift
Potential \$175,000-\$200,000 in revenues
- July 2007 - Discuss long-term solutions to balance the General Fund budget

Alternatives to Balance Budget

Raise revenues

- Update Fee Ordinance \$0
 - o Revenue neutral to cover expenses
- Business and occupation tax (Effective September 1) \$20,000-\$25,000
- Levy Lid Lift (Effective January 1, 2008) \$175,000-\$200,000
- Property Sale (Effective December 31, 2007) \$100,000

Reduce Short-Term Expenses

▪ 2007 General Fund budget cuts (Effective September 1)	\$200,000
○ Wages - Phase I	\$65,000
▪ Move positions out of general fund	
▪ Reduce hours of work	
○ Animal Control	\$15,000
○ Misc. expense	\$35,000
○ Parks	\$50,000
○ Interfund loan	\$51,000
○ Turn off street lights	\$15,000
○ Other ?	\$150,000

Reduce Long-term Expenses

The City Council directed staff to seek participants in a "Blue Ribbon" citizen advisory panel.

City staff are working on an application to serve on the committee. The plan is to have the application available by Friday, 7/20.

Applications would be due to the City by Friday, 8/3. The Council subcommittee will review the applications and make recommendations to the City Council at its 8/23 meeting and committee members would be appointed at that meeting. The first committee meeting would be in early September.

An announcement regarding how to access the application materials will be available to the public on Friday, July 20. Materials will be available on the City's website.

The Commission will be reviewing long-term solutions to the General Fund budget and making recommendations to the City Council

Mandate: Assess short- and long-term City financial situation, recommend alternatives for resolution and present to Council/Community at a future community/town hall meeting.

Term of Service: 3-4 months (however, many "answers" not yet obtained, such as the ramifications/effects of disincorporation or bankruptcy need to be available before they begin)

Number of Members: 12-13 (with at least 2 alternates)

Composition: All of these individuals must have several years' experience in, or a substantial store of knowledge of, Sultan politics.

- 2 - Sultan's Business community
- 2 - Current land developers
- 3 - "Regular" citizens (can/should include at least one citizen who resides outside of Sultan but who is directly impacted by its actions and decisions)
- 2 to 3 - Sultan "Public Service" agency members; i.e., one from FD5, one from the library, school, VOA, etc.
- 1 – Planning Board Member
- 1 - Council Member
- 1 - City staff member in an advisory capacity only (this may change, depending upon the subject matter being discussed)

Alternate members: Just as with juries, where alternates are appointed and attend the entire process, there should also be 2-3 non-voting commission/committee alternates who will provide continuity (when a "regular" commission/committee member cannot attend a meeting -- i.e., can fill them in on what occurred -- or whose life or biz forces them to drop out)

ALTERNATIVES:

There are no alternatives to holding a public hearing. The Council may either close the public hearing or continue the hearing to another date.

RECOMMENDATION:

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