

## BUDGET POLICY DECISIONS

As a part of the budget process, the Council will need to make policy decisions on the allocation of revenues. There are two issues that Staff needs additional direction on in order to complete the budget process.

Property Taxes: Allocation of Property Tax – percentage of General Fund vs. percentage of Street Fund.

In accordance with RCW 84.55.120, a taxing district with regular tax levies must hold a public hearing on the proposed increase and the use of the property tax funds.

Under the current state law, the City is allowed to increase property tax by 1% of the prior year collections plus an additional amount for new construction. The anticipated revenues for 2008 are \$637,259.

Historically, the Council has allocated 10% of the property tax to the Street Fund and the balance has been used to pay for loans (PWTF for Main Street) and for General Fund activities.

The Street Fund has limited sources of revenue (Electric utility tax and Motor Vehicle tax) which do not provide adequate funding to provide for the cost of basic maintenance and repairs. The allocation of 10% of the property tax will provide \$70,000 to the Street Fund.

Staff recommends that the Council continue to allocate 10% of the property tax to the Street Fund. REET funds are being used to make the payments on the PWTF Loan for Main Street and that has increased the amount of revenue to the General Fund by \$28,000.

Attached are the Agenda Cover sheets and tax levy ordinances from 2006.

General Facility Charges for Water and Sewer: Allocation of connection fees to debt service – capital vs. debt

There are three types of debt service for the Water and Sewer system – Revenue Bonds, Water system loans and Sewer system loans.

The Water/Sewer Revenue Bonds are funded from the Enterprise Funds by interfund transfer. A specific dollar amount is budgeted from each fund to cover the cost of the bond service each year. There is no specific dollar amount include in the monthly rates charge to customers.

Sewer Debt Service is paid for by connection fees and a portion of the monthly service fee charge to customers. The City has recently completed a sewer rate study to provide adequate funding for sewer debt service and sewer capital projects. The sewer debt service payments are dependant on new connections and when there are limited new services, the City must increase the amount paid by the current users or use reserves of debt payments

Water Debt Service Fund had adequate reserves to pay for three years of debt service with minimal contributions from new users. There is no specified amount in the monthly service fee that is allocated to debt service. The City has been allocating \$500 of the connection fee to debt service and it is anticipated that this will need to be increased. Staff is recommending that a Water Rate Study be completed to determine if adequate funding is available for future capital needs and debt service needs.

## SULTAN CITY COUNCIL

### AGENDA ITEM COVER SHEET

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**Date:** October 26, 2006

**Agenda Item #:** Action A 1

**SUBJECT:** 2007 Property Tax Levy

**CONTACT PERSON:** Laura Koenig, City Clerk

**SUMMARY:** In accordance with RCW 84.55.120, a taxing district with regular levies must hold a public hearing on the proposed increase and use of property tax funds. The ordinance must be adopted and filed with the County on or before November 30<sup>th</sup>.

Ordinance 937-06 sets the regular property tax levy for 2007 and provides for a 1% increase (\$5,946) over last years levy. Include in the total levy amount is \$30,773 for new construction and \$5,349 in refunded amounts. The total tax levy is \$636,663.

**RECOMMENDATION:** Introduction of Ordinance 937-06 setting the 2007 Property Tax Levy and pass on to a second reading.

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**Action Date:**

**COUNCIL ACTION:**

Attachment A.1

CITY OF SULTAN  
SULTAN WASHINGTON

ORDINANCE 937-06

AN ORDINANCE OF THE CITY OF SULTAN FIXING THE AMOUNT  
OF TAXES TO BE LEVIED ON TAXABLE PROPERTY WITHIN THE  
CITY OF SULTAN FOR THE YEAR 2007

**WHEREAS**, the City of Sultan has met and considered its budget for the calendar year 2007;  
and

**WHEREAS**, the City Council of the City of Sultan after hearing and after duly considering all relevant evidence and testimony presented, determined that the City of Sultan requires a regular levy in the amount of \$636,663, which includes an increase in property tax revenue from the previous year, and amounts resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, and amounts authorized by law as a result of any annexations that have occurred and refunds made, in order to discharge the expected expenses and obligations of the district and in its best interest; not therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SULTAN that an increase in the regular property tax levy is hereby authorized for the 2007 levy in amount of \$5,946 which is a percentage increase of 1% from the previous year. This increase is exclusive of additional revenue resulting from the addition of new construction and improvements to property and any increase in the value of state assessed property, and any additional amounts resulting from any annexations that have occurred and refunds made.

Severability: If any provisions of this ordinance or its application to any person or circumstance are held invalid, the remainder of the ordinance or applications of the provisions of the ordinance to other person or circumstances is not affected.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this day of \_\_\_\_\_ day of November, 2006

\_\_\_\_\_  
Benjamin Tolson, Mayor

Attest:

\_\_\_\_\_  
Laura J. Koenig, City Clerk/Treasurer

Approved as to form:

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Thom Graafstra, City Attorney

## SULTAN CITY COUNCIL

### AGENDA ITEM COVER SHEET

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**Date:** October 26, 2006

**Agenda Item #:** Action A 2

**SUBJECT:** 2007 Property Tax Levy – Police Bond

**CONTACT PERSON:** Laura Koenig, City Clerk

**SUMMARY:** Ordinance 938-06 sets the property tax levy for 2007 for the Police Bonds approved by the voters in September 2004. The total tax levy is \$31,465.

**RECOMMENDATION:** Introduction of Ordinance 938-06 setting the 2007 Property Tax Levy for the Police Bond and pass on to a second reading.

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**Action Date:**

**COUNCIL ACTION:**

**CITY OF SULTAN  
SULTAN WASHINGTON**

**ORDINANCE 938-06**

AN ORDINANCE OF THE CITY OF SULTAN FIXING THE AMOUNT  
OF TAXES TO BE LEVIED FOR THE GENERAL OBLIGATION BONDS  
AS APPROVED BY THE VOTERS ON TAXABLE PROPERTY WITHIN THE  
CITY OF SULTAN FOR THE YEAR 2007

**WHEREAS**, Proposition No. 1 Emergency Radio System and Health and Safety Bonds was approved by the voters on September 14, 2004, and

**WHEREAS**, that election allowed bonds to be issued and a regular property tax to be levied each year for a maximum term of 20 years, and

**WHEREAS**, the bonds have been issued and taxes need to be collected, now therefore

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SULTAN** that Snohomish County tax the City's taxpayers for the year 2007 for a total of **Thirty one thousand four hundred sixty five dollars and 00/100 (\$31,465.00)** so as to cause collection of these funds to cover the cost of the required bond debt service payments.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this day of    day of November 2006.

\_\_\_\_\_  
Benjamin Tolson, Mayor

Attest:

\_\_\_\_\_  
Laura J. Koenig, City Clerk/Treasurer

Approved as to form:

\_\_\_\_\_  
Thom Graafstra, City Attorney

Published: