

## CITY COUNCIL AGENDA ITEM COVER SHEET

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ITEM NO: Action A-4 A, A-4 B, A-4 C, A-4 D and A-4 E

DATE: November 8, 2007

SUBJECT: Establishment of New Funds

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

**ISSUE:**

The issue before the Council is the first reading of five ordinances to establish three new funds and to segregate two other funds. The ordinances included are:

- A. Ordinance 967-07 Capital Project Fund REET 1
- B. Ordinance 968-07 Capital Project Fund REET 2
- C. Ordinance 969-07 Park Impact Fees
- D. Ordinance 970-07 Transportation Impact Fees
- E. Ordinance 971-07 Storm Water Utility Fund

**SUMMARY:**

During the Budget Retreat a discussion was held regarding accounting for REET funds and impact fees and the Council requested that staff provide a method to segregate the accounts. The proposed ordinances will provide that segregation and more detailed accounting for each account.

Budgetary Funds are created in several different ways - 1) by ordinance to specifically create a fund; 2) by reference within other code sections; or 3) by a bond ordinance.

Funds specifically created by ordinance are included in SMC Title 3. Information on these funds is easy to locate and staff and the general public can determine the purpose, funding source and uses.

Funds created by reference within other code sections, such as the impact funds (Attachment F), are difficult to locate for both staff and the general public. This has been an issue in prior audits when staff has been asked how a fund was created and what is the intended purpose of the fund.

Funds created by bond ordinance are specific to that bond. The ordinance is not included in the SMC. The fund will terminate when the bond is paid in full.

The proposal before the Council is to establish five funds under Title 3 SMC. The Capital Project Funds will be used to account for the Real Estate Excise Tax collected by the City. There is a difference in the allowed expenditures between the first and second ¼% tax. The Impact Fee Funds will be used to account for impact fees on parks and transportation that are collected at the time a new building permit is issued. The Council will be implementing a Storm Water Utility and staff has created the fund to account for revenues and expenditures of that utility.

**ALTERNATIVES:**

1. Do not adopt the ordinances. This will require the City to continue to use the existing funds established in various sections of the SMC.
2. Adopt the ordinances to establish separate funds for the Real Estate Excise funds, Impact Funds and establish the Storm Water Utility Fund. This will allow the City to more efficiently track and account for revenues and expenditures for these funds.

### STAFF RECOMMENDATION

Staff recommends the introduction of the ordinances for a first reading on November 8, 2007 and adoption on November 15, 2007.

### MOTION:

1. Move to introduce Ordinance 967-07 establishing a Capital Project Fund REET1 for a first reading and pass on to a second reading on November 15, 2007.
2. Move to introduce Ordinance 968-07 establishing a Capital Project Fund REET2 for a first reading and pass on to a second reading on November 15, 2007.
3. Move to introduce Ordinance 969-07 establishing a Park Impact Fee Fund for a first reading and pass on to a second reading on November 15, 2007.
4. Move to introduce Ordinance 970-07 establishing a Transportation Impact Fee Fund for a first reading and pass on to a second reading on November 15, 2007.
5. Move to introduce Ordinance 971-07 establishing a Storm Water Utility Fund for a first reading and pass on to a second reading on November 15, 2007

- Attachments:
- A. Ordinance 967-07 Capital Project Fund REET 1
  - B. Ordinance 968-07 Capital Project Fund REET 2
  - C. Ordinance 969-07 Park Impact Fees
  - D. Ordinance 970-07 Transportation Impact Fees
  - E. Ordinance 971-07 Storm Water Utility Fund
  - F. Copy of Title 16.112

**CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 967-07**

**AN ORDINANCE OF THE CITY OF SULTAN ADDING CHAPTER 3.10  
TO ESTABLISH CAPITAL PROJECT REET 1 FUND**

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.10 of the Sultan Municipal Code is hereby added to read as follows:

**Chapter 3.10  
CAPITAL PROJECT REET 1 FUND**

Sections:

3.10.010	Establishment and Purpose
3.10.020	Funding Sources
3.10.030	Expenditures - Policy and Procedures

3.10.010 Establishment and Purpose: There is hereby created a Capital Projects REET 1 Fund (Real Estate Excise Tax) which shall be used for the purpose of funding capital improvements allowed under state statutes.

3.10.020 Funding Sources: The funding source shall be Real Estate Excise Tax imposed and collected under Sultan Municipal Code 3.50.

3.10.030 Expenditures: Expenditures from the fund shall be made as appropriated and authorized in the City's annual operating budget. Funds must be used for capital purposes identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040.

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

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

REGULARLY ADOPTED this day of December, 2007.

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Benjamin Tolson, Mayor

Attest:

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Laura J. Koenig, City Clerk

Approved as to form:

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Thom Graafstra, City Attorney

Published:

**ATTACHMENT A**

**CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 968-07**

**AN ORDINANCE OF THE CITY OF SULTAN ADDING CHAPTER 3.11  
TO ESTABLISH CAPITAL PROJECT REET 2 FUND**

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.11 of the Sultan Municipal Code is hereby added to read as follows:

Chapter 3.11  
CAPITAL PROJECT REET 2 FUND

Sections:	
3.11.010	Establishment and Purpose
3.11.020	Funding Sources
3.11.030	Expenditures - Policy and Procedures

3.11.010 Establishment and Purpose: There is hereby created a Capital Projects REET 2 Fund (Real Estate Excise Tax) which shall be used for the purpose of funding capital improvements allowed under state statutes.

3.10.020 Funding Sources: The funding source shall be Real Estate Excise Tax imposed and collected under Sultan Municipal Code 3.51.

3.10.030 Expenditures: A. Expenditures from the fund shall be made as appropriated and authorized in the City's annual operating budget. Funds must be used for capital projects.

B. For this quarter percent of real estate excise tax, capital project means those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

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

REGULARLY ADOPTED this day of December, 2007.

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

Attest:

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

Approved as to form:

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

Published:

**ATTACHMENT B**

CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 969-07

AN ORDINANCE OF THE CITY OF SULTAN ADDING  
CHAPTER 3.05 TO ESTABLISH PARK IMPACT FEE FUND

WHEREAS Chapter 16.112.100 creates an Impact Fee Fund that is inclusive all impact fees collected; and

WHEREAS the Council would like a detailed and segregated accounting for each type of impact fee collected; now therefore

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Section 1. Chapter 3.05 of the Sultan Municipal Code is hereby added to read as follows:

Chapter 3.05  
Park Impact Fees

Sections:	
3.05.010	Establishment and Purpose
3.05.020	Funding Sources
3.05.030	Use of Funds
3.05.040	Reporting

3.05.010 Establishment and Purpose: There is hereby created and established a special purpose park and recreation facilities impact fee fund ("the park impact fee fund") to receive park impact fees.

3.05.020 Funding Sources: All park impact fees and shall be deposited into the park impact fee fund. Procedures for administration of the funds shall be established by the Finance Department. Investment interest income generated by these fees may be allocated in accordance with state law.

3.05.030 Use of Funds: A. Park impact fees shall be used for development of parks, open space, passive recreation parks, linear trail parks, and recreation facilities to serve new growth and development in Sultan; provided, that such impact fees may only be spent on system improvements.

B. Impact fees may be spent on the following items to the extent that they relate to a particular system improvement: facility planning, land acquisition, site improvements, necessary off-site improvements, facility construction, facility engineering and design work, facility permitting fees, facility financing, grant matching funds, applicable mitigation costs, capital equipment pertaining to public facilities, and any other expenses which can be capitalized and are consistent with the capital facilities plan.

(3) Impact fees may also be used to recoup park facility improvement costs previously incurred to the extent that new growth and development will be served by the previously acquired or constructed improvements or incurred costs.

(4) In the event that bonds or similar debt instruments are or have been issued for the construction of public facility or system improvements for which impact fees may be expended, impact fees may be used to pay debt service on such bonds or similar debt instruments to the extent that the facilities or improvements provided are consistent with the requirements of this chapter and are used to serve new development.

3.05.040 Reporting: Annually, the City shall prepare a report on the impact fee account showing the source and amount of all monies collected, interest earned, and capital or system improvements that were financed in whole or in part by these impact fees

Section 2 - Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Section 3 - Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this day of December, 2007.

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

Attest:

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

Approved as to form:

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

Published:

**ATTACHMENT C**

CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 970-07

AN ORDINANCE OF THE CITY OF SULTAN ADDING CHAPTER 3.06 TO  
ESTABLISH A TRANSPORTATION IMPACT FEE FUND AND TO AMEND  
CHAPTER 16.112.100

WHEREAS Chapter 16.112.100 creates an Impact Fee Fund that is inclusive all impact fees collected; and

WHEREAS the Council would like a detailed and segregated accounting for each type of impact fee collected; now therefore

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Section 1: Chapter 16.112.100 is hereby amended to read as follows:

Chapter 16.112.100: Impact fee funds will be created and established under SMC Title 3. The Finance Department will establish separate accounts and maintain records for each type of impact fee.

Section 3. Chapter 3.06 of the Sultan Municipal Code is hereby added to read as follows:

Chapter 3.06  
Transportation Impact Fees

Sections:

3.06.010	Establishment and Purpose
3.06.020	Funding Sources
3.06.030	Use of Funds
3.06.040	Reporting

3.06.010 Establishment and Purpose: There is hereby created a special purpose transportation impact fee fund.

3.06.020 Funding Sources: All transportation impact fees shall be deposited into the transportation impact fee fund. Procedures for administration of the funds shall be established by the Finance Department. Investment interest generated by these fees may be allocated in accordance with state law.

3.06.030 Use of Funds: A. Transportation impact fees shall be used for development of transportation facilities that constitute system improvements.

B. Impact fees may be spent on the following items to the extent that they directly relate to a particular system improvement: facility planning, land acquisition, site improvements, necessary off-site improvements, facility construction, facility engineering and design work, facility permit fees, facility financing, grant-matching funds, applicable mitigation costs, capital equipment pertaining to a particular system improvement, and any other capital costs related to a particular system improvement, including but not limited to signalization, traffic safety, and nonmotorized transportation improvements.

C. Impact fees may also be used to recoup transportation facility improvement costs previously incurred by the City to the extent that new growth and development will be served by the previously acquired or constructed improvements resulting in such costs.

D. In the event that bonds or similar debt instruments are or have been issued for the construction of public facility or system improvements for which impact fees may be expended, impact fees may be used to pay debt service on such bonds or similar debt instruments to the extent that the facilities or improvements provided are consistent with the requirements of this chapter and are used to serve new development.

3.06.040 Reporting: Annually, the City shall prepare a report on the impact fee account showing the source and amount of all monies collected, interest earned, and capital or system improvements that were financed in whole or in part by these impact fees

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

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

REGULARLY ADOPTED this day of December, 2007.

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

Attest:

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

Approved as to form:

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

Published:

**ATTACHMENT D**

**CITY OF SULTAN  
SULTAN WASHINGTON  
ORDINANCE 971-07**

**AN ORDINANCE OF THE CITY OF SULTAN ADDING CHAPTER 3.43  
TO ESTABLISH STORM WATER UTILITY FUND**

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.43 of the Sultan Municipal Code is hereby added to read as follows:

Chapter 3.43  
STORMWATER UTILITY FUND

Sections:

3.43.010	Establishment and Purpose
3.43.020	Funding Sources
3.43.030	Expenditures - Policy and Procedures

3.43.010 Establishment and Purpose: There is hereby created a Storm Water Utility which shall be used for the purpose of funding operations of the Storm Water Utility.

3.43.020 Funding Sources: The funding source shall be monthly user fees collected from residential and commercial customers.

3.43.030 Expenditures: Expenditures from the fund shall be made as appropriated and authorized in the City's annual operating budget.

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

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

REGULARLY ADOPTED this day of December, 2007.

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

Attest:

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Laura J. Koenig, City Clerk

Approved as to form:

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

Published:

**ATTACHMENT E**

**16.112.100 Impact fee fund.**

There is hereby created and established a special purpose, nonlapse impact fee fund. The city clerk shall establish separate accounts within such fund and maintain records for each such account whereby impact fees collected can be segregated by type of facility.

A. All interest shall be retained in the account and extended for the purposes for which the impact fees were imposed.

B. Each year, the city clerk shall provide a report for the previous calendar year on each impact fee account showing the source and amount of monies collected, earned, or received and system improvements that were financed by impact fees. (Ord. 630 § 2[16.13.100], 1995)

**ATTACHMENT F**