

SULTAN CITY COUNCIL  
SUB COMMITTEE  
AGENDA ITEM COVER SHEET

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**ITEM NO.**

**DATE:** December 6, 2007

**SUBJECT:** Resolution 07-24 Investment Interest Allocation

**CONTACT PERSON:** Laura Koenig, Clerk/Deputy Finance Director

**ISSUE:**

The issue before the Sub Committee is the adoption of Resolution 07-24 (Attachment A) to allocate investment interest earned.

**STAFF RECOMMEDATION:**

In accordance with RCW 82.02.070, interest earned from moneys in Impact Funds must be allocated to and used by those funds for the purpose specified. The original proposal was to use the interest earned by Impact Funds to help offset Park maintenance costs in the General Fund.

Since Impact Funds can't be used, Staff has recommended that 50% of the interest earned by the CR Utility Reserve fund be allocated to the General Fund to help offset the costs of Park maintenance.

There will be a revenue reduction of approximately \$3,800 by this change in allocation.

**SUMMARY:**

The issue of allocation of investment interest earned was discussed at the November 8, 2007 Council meeting. Staff was directed to prepare a resolution with recommendations on the allocation of investment interest and to provide information on the financial impacts.

Under state law, if a Code City's funds have been commingled for investment purposes, the interest may be apportioned among the various participating funds or the general or current expense fund as the city determines by ordinance or resolution. Attachment B is an article from MRSC regarding credit of interest earnings. There are additional restrictions noted in the BARS manual (Attachment C) and the bond ordinances may also require that interest be allocated to specific funds.

The City has earned the following interest through September 2007:

1 <sup>st</sup> Quarter	\$44,742.96
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2 <sup>nd</sup> Quarter	\$41,814.49
3 <sup>rd</sup> Quarter	\$44,967.17
Total	\$131,624.62

Of the total amount earned \$12,763.07 was credited to the General Fund. Under the proposed allocation an additional \$45,378.51 would have been credited to the General Fund.

Interest earned by the Cemetery Trust Endowment is credited to the Cemetery operating fund. With the exception of the LID Bond fund, staff is recommending that interest earned by bond funds should be credited to the fund to offset the cost of bond principal and interest payments. It is also recommended that interest earned by the Water and Sewer reserves, construction and debt funds be credited to those funds. This will insure that additional funds will be available for projects and bond and loan payments.

The following chart shows the 3<sup>rd</sup> Quarter investment interest earnings and the amount credited to each of the different funds:

JOURNAL ENTRIES			3rd Quarter 2007	
Fund	Descrip	Account	Credit	Proposed Gen. Fund Allocation
Investment Interest				
001	Interest	General	4652.41	NA
101	Interest	Street	0.00	No
103	Interest	Cemetery	1108.55	No
107	Interest	Drug Fund	81.59	No
108	Interest	Impact Funds	9064.55	No
109	Interest	Community fund	14.78	Yes
110	Interest	Police Bond	397.47	No
203	Interest	GO Bond Fund	681.19	No
205	Interest	Police Bond Fund	274.21	No
207	Interest	LID Bond Fund	8779.88	Yes
301	Interest	Capital - REET	3628.29	No
303	Interest	Street Construct	0.00	Yes
403	Interest	W/S Bond	642.76	No
405	Interest	UT Utility	14744.97	Yes/50%
407	Interest	Sewer Cont	0.00	No
409	Interest	Water Cont	238.64	No
412	Interest	Water Debt	657.88	No
413	Interest	Sewer Debt	0.00	No
Total			44967.17	

Additional Interest - 3rd Qtr	16,167.15
Annual Interest (estimate)	64,668.60

In accordance with Resolution 92-11(Attachment D), the City commingles the fund balance of all funds for the purpose of investments. Resolution 92-11 is outdated and includes funds that no longer exist.

**ALTERNATIVES**

1. Adopt Resolution 07-24 to provide for allocation of interest.
2. Do not adopt the resolution to adopt interest allocation and continue to allocate interest using the Resolution adopted in 1992 and current practice.

**STAFF RECOMMENDATION:**

Adopt Resolution 07-24 providing for the allocation of earned Investment Interest.

**MOTION:**

Move to adopt Resolution 07-24 allocating earned investment interest.

**ATTACHMENTS:**

- A. Resolution 07- 24 Interest Allocations

**CITY OF SULTAN  
RESOLUTION 07-24**

**A RESOLUTION OF THE CITY OF SULTAN WASHINGTON PROVIDING  
FOR THE ALLOCATION OF INVESTMENT INTEREST EARNINGS.**

WHEREAS, the Revised Code of Washington chapter 35.30.034 provides for the disbursement of investment interest earnings; and

WHEREAS, RCW 35.30.034 further provides for commingling of funds within one investment portfolio; and

WHEREAS, RCW 35.30.034 provides that any excess funds on hand may be invested by the City Treasurer for the benefit of the general or current expense fund; now therefore

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SULTAN WASHINGTON AS FOLLOWS:**

The interest earnings received on investment of the City of Sultan for the 2008 fiscal year shall be distributed to each fund as follows:

<u>FUND</u>	<u>% Of Earned Interest credited to fund</u>
001 General Fund	100%/Excess Funds
100 General Fund Contingency	100%
101 Street Fund	100%
103 Cemetery Fund	100% plus Cemetery Trust
104 C.R. Equipment Fund	100% to General
105 Park Improvement Fund	100% to General
106 Police Equipment Reserve	100% to General
107 Drug Enforcement Fund	100%
108 Street Impact Fee Fund	100%
109 Community Improvement Fund	100% to General
110 Emergency Radio System	100%
112 Park Impact Fee Fund	100%
203 Limited Tax Bond GO	100%
205 Unlimited Tax GO Bond	100%
207 LID Guaranty Fund	100% to General
301 Capital Project Fund REET 1	100%
302 Capital Project Fund REET 2	100%
303 Street Improvement Fund	100% to General
307 LID Project Fund	100% to General
400 Utility Water Fund	100% to General
401 Utility Sewer Fund	100% to General
402 Utility Garbage Fund	100% to General
403 Water Revenue Bond Fund	100%
406 Storm Water Utility	100% to General
405 C.R. Utility Fund	50%/50% to General
407 Sewer System Improvement	100%
409 Water System Improvement	100%

412	Water System Debt Fund	100%
413	Sewer System Debt Fund	100%
621	Cemetery Trust Fund	100% to Cemetery
633	Treasurer's Trust	100% to General

Passed by the City Council this 15th day of November, 2007.

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Benjamin Tolson, Mayor

Attest:

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Laura J. Koenig, City Clerk