

**SULTAN CITY COUNCIL  
AGENDA ITEM COVER SHEET**

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**ITEM NO.** Action A 3

**DATE:** December 6, 2007

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

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

**ISSUE:**

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

**STAFF and SUB COMMITTEE RECOMMENDATION:**

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 and the Sub Committee recommend 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.

It was further recommended that the resolution for the distribution of interest be for one fiscal year and that the matter be a part of the annual budget process.

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

**SUMMARY:**

The Sub Committee met on December 6, 2007 to reviewed and discuss the matter of distributing interest earned on investment.

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 |
| 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 for the 2008 fiscal year.

**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<br/>credited to fund</u> |
|-------------|-----------------------------|--|
| 001         | General Fund                | 100%/Excess Funds                                |
| 100         | General Fund Contingency    | 100%   |
| 101         | Street Fund                 | 100%   |
|             |                             | 100% plus Cemetery                               |
| 103         | Cemetery Fund               | 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 13th day of December, 2007.

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Benjamin Tolson, Mayor

Attest:

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Laura J. Koenig, City Clerk