

**SULTAN CITY COUNCIL
BUDGET RETREAT
AGENDA ITEM COVER SHEET**

DATE: June 14, 2008

SUBJECT: Library Annexation

CONTACT PERSON: Deborah Knight, City Administrator

D. Knight

ISSUE:

Discuss and provide direction to staff on alternatives for reallocating funds previously used to fund the City's contract with the Sno-Isle Library District.

STAFF RECOMMENDATION:

Allocate potential savings from the library annexation to fund one-time investments that are not considered to be "mission critical".

SUMMARY:

In March 2008, City residents voted to annex into the Sno-Isle Library District. As a result of the annexation, effective January 1, 2009, the City will no longer contract directly with Sno-Isle for library services.

This will "save" the City approximately \$100,000 in expenditures.

The City Council has informally discussed opportunities for reallocating these revenues to serve other purposes.

Potential investments include:

1. Public Safety
2. Street maintenance and major repair
3. Building maintenance and major repair
4. Reduce debt service / Interfund loan
5. Allocate to contingency fund
6. Do nothing and reserve for unanticipated expenses

DISCUSSION:

The City Council has an opportunity to consider reallocating resources from the library contract to other potential investments.

At this very early point in the budget process it appears that the City has a healthy \$255,000 ending fund balance for 2009. This may lead the City to consider how these funds might be used to increase levels-of-service or reduce expenditures.

Specific ideas for increasing levels-of-service include funding additional police services, repair and replacement of city streets such as Alder or paving gravel roads in the downtown core.

What is perhaps more interesting is the past budget versus actual ending fund balances. Typically, the City anticipates a healthy ending fund balance and throughout the year, unanticipated expenditures arise and whittle away at the ending fund balance.

For example, the City has a financial policy since late 2006 to set aside money in its contingency fund each year. Yet, the transfer to the contingency has been postponed as a result of unanticipated expenses.

If the City Council is going to consider spending the "savings" from the library annexation, one alternative is to identify one-time expenditures. For example, rather than create a building and maintenance fund, the Council could earmark the money toward refurbishing the post office exterior or repairing/replacing the food bank roof.

Another consideration would be to set the money aside for making the interfund loan payment or to reduce debt.

Finally, the City Council may consider the "do-nothing" alternative and reserve the funds in the Treasurer's Trust for unanticipated expenses. The money could accumulate in the Trust and at the end of 2009, if funds were available, they could be allocated to specific expenditures in 2010.

RECOMMENDATION:

Allocate potential savings from the library annexation to fund one-time investments that are not considered to be "mission critical".