

GENERAL FUND REVENUES

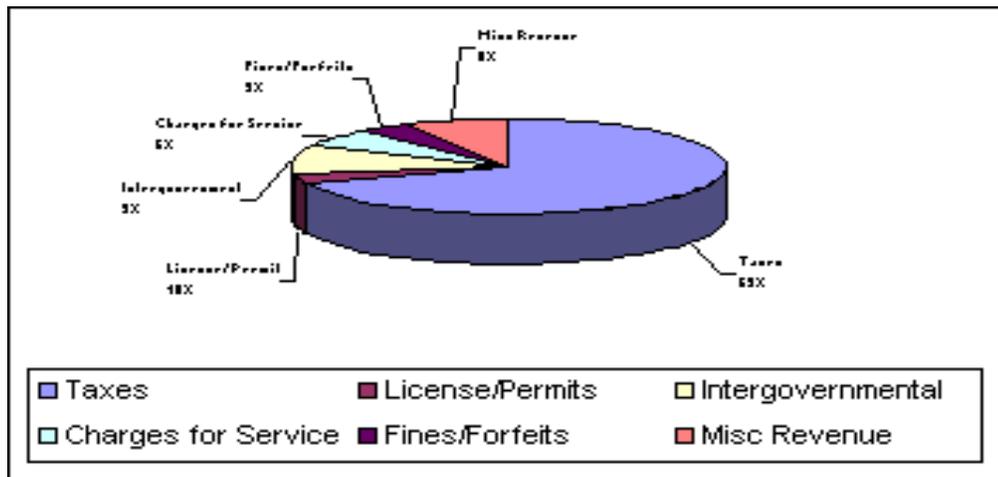
Revenue Forecasts

The attached Five-Year Forecast provides a historical look at the last six years (2001-2006) and a prospective look forward to 2013. Future years are based on the 2008 estimated budget as well as the forecast level of development activity.

City staff estimate a total of \$1,961,520 General Fund revenues for 2008

General fund revenues are broken into six categories:

- | | |
|-------------------------|-------------|
| 1. Taxes | \$1,349,558 |
| 2. License and Permits | \$69,500 |
| 3. Intergovernmental | \$190,468 |
| 4. Charges for Services | \$125,800 |
| 5. Fines and Penalties | \$65,250 |
| 6. Miscellaneous | \$155,944 |



TAXES

Real and Property Tax

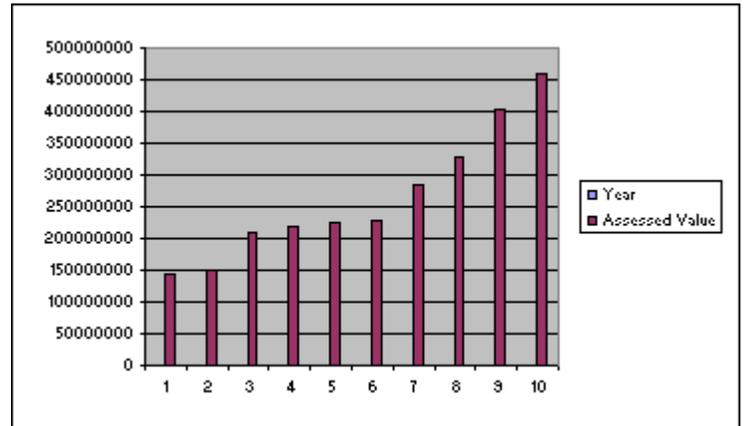
Real and Property taxes (\$673,583 estimate for 2008) are divided between the General Fund (\$572,538), Street Fund (\$70,000), and Police Bond Fund (\$31,045). The estimates are based on the 1% increase allowed for property taxes. The following chart details the rate per thousand:

YEAR	ASSESSED VALUE	TAXES LEVIED	PER 1000 RATE
2004	227,065,165	459,823	2.40
2005	283,484,499	578,461	2.00
2006	328,540,734	496,132	1.79
2007	401,869,602	623,897	1.57
2008	458,888,991	642,888	1.40

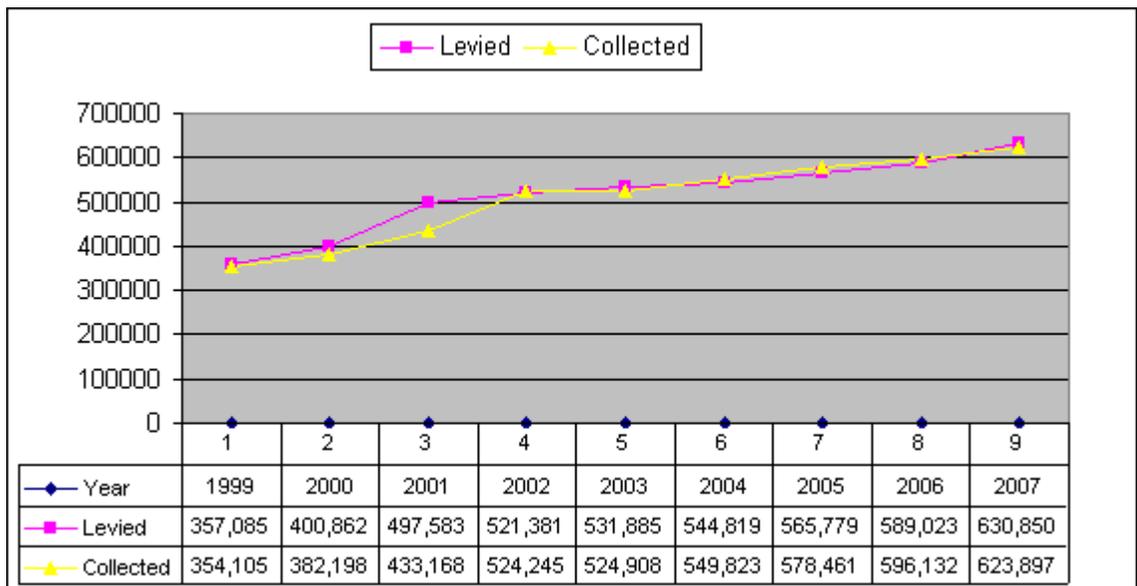
Property Taxes:

General Property taxes are, by state law, limited to a 1% increase over the prior year's collections plus assessments on new construction. The County treasurer acts as an agent to collect property taxes and distributes those collections on a monthly basis. Property taxes are allocated to the General Fund, Street Fund and Police Bond Fund.

Year	Assessed Value
1999	142,480,606
2000	149,471,444
2001	210,437,843
2002	218,981,140
2003	224,626,161
2004	227,065,165
2005	283,484,499
2006	328,540,734
2007	401,869,602
2008	458,888,991



Year	Levied	Collected
1999	357,085	354,105
2000	400,862	382,198
2001	497,583	433,168
2002	521,381	524,245
2003	531,885	524,908
2004	544,819	549,823
2005	565,779	578,461
2006	589,023	596,132
2007	630,850	623,897
2008	642,888	



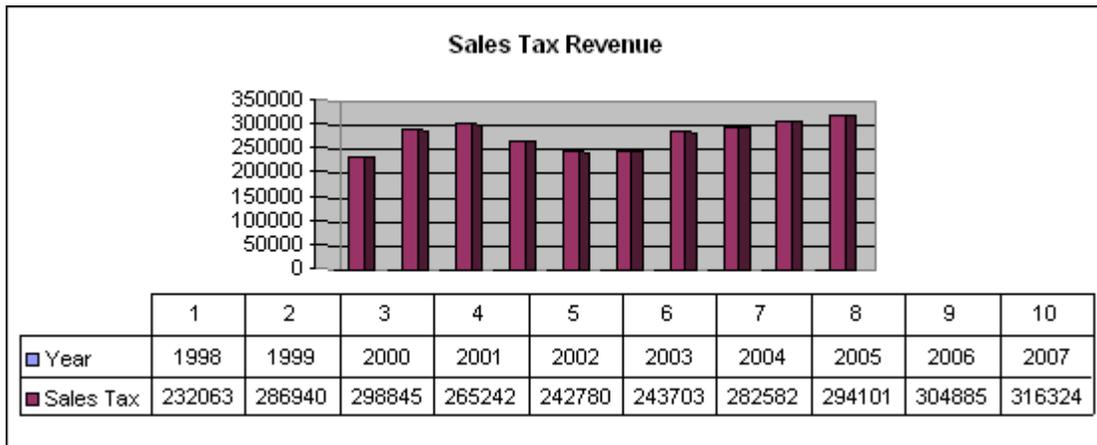
Sales Tax

The city has collected 94.4% of its projected sales tax revenues through the third quarter of 2007 (\$236,113). Although sales tax is estimated to increase by a small percentage in 2008 the staff recommendation is to hold sales tax steady at the 2007 rate of \$250,000 in the General Fund.

Sales Tax revenues are fairly consistent for the City. The following chart details the collections for the past ten years.

SALES TAX REVENUES

Year	Sales Tax
1998	232063
1999	286940
2000	298845
2001	265242
2002	242780
2003	243703
2004	282582
2005	294101
2006	304885
2007	316324



B&O Utility – Electric, Gas, Cable, and Phone

Staff reviewed historic collections and increased this by 3.7% based on the Five-Year projections. The city is currently between 75% and 100% of actual revenues collected compared to budget as of the end of the third quarter

Total estimated revenues \$380,887

City Utilities – Water, Sewer, and Garbage

City Utilities are calculated on the number of accounts for each service and the estimated excess usage. This amount was multiplied by the 6% tax for each service.

This revenue source is difficult to estimate. The tax was implemented in the mid-2006, so there is a lack of history.

Staff estimate \$111,898

LICENSE AND PERMITS/CHARGES FOR SERVICES

These are the most volatile revenue accounts since they are based on activities outside the city's control. Zoning and Subdivision Fees, Hearing Examiner fees, Building Permits, and Plan Check Fees are all contingent on development activity.

License and Permits

Building permit fees make up approximately 80% of the License and Permit revenues

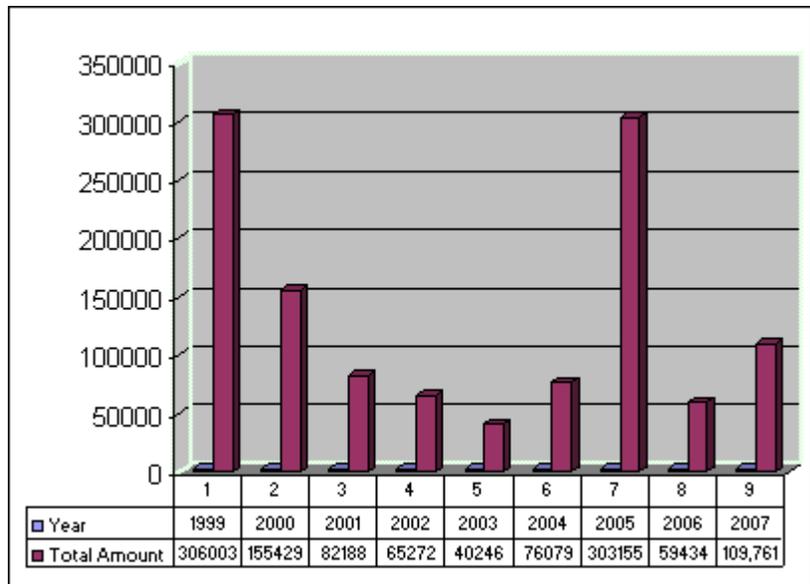
Building Permit Fees

The City's originally estimated 70 building permits for the 2007 budget. The City Council revised this estimate to 22 permits for a total estimated budget of \$45,000.

Building Permits:

As shown on the graph below, building permit activity had a major increase in 1999 and in 2005. Estimating building permits is an important part of the budget due to revenue impacts to other funds. Each permit generates building and plan check fees, impact fees and utility connections.

Year	Total Amount
1999	306003
2000	155429
2001	82188
2002	65272
2003	40246
2004	76079
2005	303155
2006	59434
2007	109,761



The 2008 budget is built on an estimated 33 SFR building permits (\$2,000/dwelling unit). City staff recommend adopting a conservative budget of \$54,500 in 2008 to avoid overestimating revenues.

2008 expenses in the Building Department (\$95,280) will exceed Building permit and Plan Check fees by approximately \$20,780.

The City Council may want to consider a building permit fee study in 2008 or 2009 to ensure permit fees are covering permit costs.

Charges for Service

Hearing Examiner Fees

Hearing examiner fees (8 x \$1,500 = \$12,000) are offset by Hearing examiner expenses (\$12,000) in the Planning and Development budget. This is a “pass-through” cost to the applicant.

Zoning and Subdivision Fees

The City originally estimated (budgeted) \$84,245 in zoning and subdivision fees for 2007. The August amended budget anticipated \$30,000 in zoning and subdivision fees.

City staff estimate receiving \$55,000 in zoning and subdivision fees.

Plan Check Fees

The City must review and “check” each building permit submitted. Plan check fees are \$1,000 per permit.

The City originally estimated (budgeted) \$136,990 in plan check fees for 2007. The City’s revised estimate for Plan Check Fees for 2007 is \$20,000.

City staff estimate \$20,000 in Plan check fees for 2008.

Passport Fees - Passport fees for 2007 exceeded all expectations. The original 2007 budget estimated \$12,000 in passport fees. The budget amendment in August increased this estimate to \$25,000. The city has collected \$34,524 in 2007.

Effective January 1, 2008 American citizens will need a valid passport to drive into Canada. Staff anticipate continued strong demand for passports but at a lower level than 2007 when citizens were required to obtain passports for air travel to Canada and Mexico.

Staff estimate collecting \$15,000 in passport fees in 2008.

INTERGOVERNMENTAL

Per Capita Revenues

The following information was obtained from the *Budget Suggestions for 2008* which is a publication provided to cities by Municipal Research. These revenues are based on population. The Office of Financial Management estimates Sultan's population at 4,530.

Gas Tax – Gasoline and diesel fuel tax receipts. Municipal Research expects that lower fuel prices in 2008 both in absolute terms and relative to other prices, plus continued strong growth in inflation adjusted personal income will result in an estimated 3.4% growth in fuel taxes in 2008.

The City anticipates collecting \$113,658 in gas tax. The gas tax is dedicated to the Street Fund.

Liquor tax – Due to increases in liquor sales, liquor excise taxes continue to rise. With the anticipation of additional stores being open on Sundays, and additional staff hours in the stores to better serve customers, revenues are expected to grow by 5%.

The City anticipates collecting \$21,291 in liquor tax.

Profits of Liquor Board – Liquor Board profits are the difference between revenues from alcohol sales and expenditures from the Liquor Control Board. Liter sales of alcohol continue to grow at over 3%, wine sales are growing at 1%, and beer sales are not growing. Overall the Liquor Control Board anticipates around a 5% increase in profits for 2008.

The City anticipates collecting \$32,072 in Liquor Board Profits

City County Assistance Forecast (Hardship) – The formula used to allocate city funding is based on a sales tax and property tax equalization formula and the 2005 MVET backfill levels.

The total certified amounts for 2008 will not be available until March 1, 2008. The Department of Revenue typically provides an estimate in September. A current search for the estimates did not produce any results

City staff anticipate receiving \$104,000 in 2008.

Criminal Justice (former CTED programs) –

With the repeal of the motor vehicle excise tax, the only money that cities receive by statute comes from the Office of the State Treasurer on a per capita basis. There is a requirement that these funds be spent on some combination of innovative law enforcement programs, domestic violence prevention programs, and child abuse prevention programs, but no requirement of how much must be spent in each area.

City staff anticipate receiving \$3,488. In the past, the City Council has allocated \$1,000 to the Safe Stop program run by the Volunteers of America.

FINES AND PENALTIES

This revenue category covers three revenues sources: district court, violations bureau and animal control.

City staff recommend maintaining district court revenues at historic levels. The city estimated collecting \$55,000 in 2007. Revenue estimates are \$65,250 for 2008.

The violations bureau has been steadily declining as the number of police officers has decreased. The city budgeted \$15,000 in revenues for 2007. The revenue estimates for 2008 are \$7,500.

Animal control fines are expected to provide less than \$500 in revenues in 2008.

MISCELLANEOUS

Miscellaneous revenues include investment interest, contributions, rents and royalties.

Investment Interest

As discussed earlier, code cities may now apportion some investment earnings from funds commingled for investment purposes to the general fund rather than the participating funds unless restricted by law (RCW 35.39.034). Utility funds, bond covenants or other provisions may require that the interest be allocated to the utility fund.

City staff recommend taking advantage of this opportunity where appropriate. This policy decision is included in the draft investment policies in front of the City Council on November 8, 2007.

Rents and Royalties

In August 2007, the City Council approved redirecting rent from the Post Office building owned by the City to the General Fund as part of the budget amendment approved by Council to balance the General Fund Budget. The estimated revenue for 2008 from Post Office rent is \$52,144.

GENERAL FUND EXPENSES

Cost of Living Adjustment

The Consumer Price Index (CPI) measures the change in prices paid over time for a fixed "market basket" of goods and services. The CPI for all Urban Consumers (CPI-U) measures the percentage change in prices faced by urban consumers and covers approximately 87% of the population. The Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) is sometimes referred to as the "blue collar measure" is a subset of the CPI-U. The CPI-U is a market basket that reflects the expenditures of urban households that derive more than half their income from clerical and hourly wage jobs. It covers approximately 32% of the population.

The City's bargaining agreement with the Police effective January 1, 2007-December 31, 2008 is based on the CPI-W for the Seattle-Tacoma-Bremerton Area for the period from June 2006 to June 2007.

The cost of living adjustment for police wages for 2008 will be 3.3%

The City's bargaining agreement with public works and clerical staff is currently under negotiation. Management expects the bargaining unit to request the same cost of living adjust as was approved in the police contract.

The cost of living adjustment for public works and clerical staff is estimated at 3.3%

The cost of living adjustment recommended for all other staff (management team) is 3.3%.

Salary and Wage Costs

Total salary and wage costs for all funds are estimated at \$1,624,226.

The cost to the General Fund is estimated at \$890,010.

The cost to the Street Fund and Enterprise funds is estimated at \$733,354

Salary estimates include a full-time long range planner to assist with the comprehensive plan update, engineering technician (allocated to the capital budget), and converting the temporary, part-time (non-benefited) animal control officer position to part-time benefited position.

Benefit Costs

Medical, Dental and Vision Coverage

Medical premiums will increase by 14.8% in 2008. This is a significant impact the General Fund as well as the Street Fund and enterprise funds (water, wastewater, garbage, cemetery, and storm water).

Dental and vision costs will not increase over 2007.

Public Employees Retirement System (PERS) - Pension Contribution Rates

PERS contribution rates for employers have been increasing quite significantly over the last couple of years. There was a jump from 6.12% effective July 1, 2007. There will be another increase to 8.31% effective July 1, 2008. A projected 9.10% increase will take effect in 2009 and a 9.12% increase is projected for each year from 2011-2013.

Total Salary and Benefit Costs

Benefit costs

Health care benefit costs for 2008 are estimated at	\$310,050
Retirement contributions are estimated at	\$93,963
Social security and other payroll taxes are estimated at	<u>\$168,949</u>
Total benefit costs	\$572,962

Total Salaries and Benefits

General Fund salaries and wages	\$890,010
General Fund benefits	<u>\$307,551</u>
Total	\$1,197,561

Total estimated **revenues** for the General Fund = \$1,956,061. Salaries and benefits are more than half the cost of doing business in the General Fund.

Street Fund/Enterprise Funds salaries and wages	\$733,354
Street Fund/Enterprise Funds benefits	<u>\$265,218</u>
Total	\$998,572
Total all salaries and benefits	\$2,197,188

Operating Funds

Legislative - \$8,915 for salaries, travel and seminars and professional services. The cost of the library annexation ballot measure (\$10,000) is expensed from the Library budget.

Executive - \$41,505 for salary, travel (reduced by \$1,500 from 2007), and a proposed salary and benefit survey (\$10,000) to review staff wages and benefits against comparable cities.

Finance - \$34,215 for salary, professional services (\$2,250 for Finance Director services), and audit costs.

Grants and Economic Development - \$16,600 for salary, new web pages for economic development and tourism, business outreach through quarterly roundtable discussions, and volunteer program support.

Legal Services - \$49,610 this budget is dependent on many factors outside the City's control. The budgeted amount is strictly for normal attorney review approximately \$4,000/month. This does not include special legal needs for unanticipated litigation. Special Legal Counsel for land use issues is currently combined with professional services for the Comprehensive Plan Update in the Planning and Development department.

Civil Service - \$16,250 is a placeholder for supporting the Civil Service Commission. Funding will be required to replace the Police Chief and hire an additional Officer.

Other Governmental Services - \$63,788 includes expenses that cannot be allocated to a particular department such as copier paper, utilities, insurance for City Hall, City Hall maintenance and repair, and the phone system.

Law Enforcement - \$905,428 **includes funding for 6 patrol officers and a police chief.** Professional services (\$70,000) is for legal services support. The City's SNOPAC obligation will increase from \$40,000 in 2007 to \$71,000 in 2008.

Law Enforcement Court Costs – 179,400: This amount covers the cost of court filing fees, jail fees and legal fees.

Code Enforcement - \$31,250 is for animal control services. This includes funding for a part-time (20 hours/week), benefited animal control officer position. Professional services is for legal services support for nuisance abatement.

Planning and Development - \$19,465: Professional services (\$115,000) includes funding for the Comprehensive Plan Update, and pass-through consultant fees for current development review (\$15,000). The remaining \$100,000 budget for the Comprehensive Plan Update is spread out between the enterprise funds (water, sewer and storm water) and street fund. Hearing Examiner services

(\$12,000) is a pass-through expense with a corresponding allocation on the revenue side.

The Long Range Planner position (\$41,184 expense to the General Fund) is not included in salaries and benefits pending further Council discussion regarding the approach to updating the Comprehensive Plan. A decision to fund the Long Range Planner position will require a corresponding off-set in professional services.

Building and Community Development \$95,280 includes building inspection and plan review services as well as engineering (City Engineer). Salaries and benefits for the City Engineer and proposed Engineering Technician position have been allocated to the Capital Budget. The Building department budget does include new computer and GIS/CAD software and the necessary license and maintenance contracts. The addition of engineering staff should provide transition as the City Engineer prepares to retire and some much needed support to get our capital projects completed.

The 2008 budget includes a half-time building inspector (regular, benefited position) and a half-time building official/plans examiner. The plans examiner costs are offset by a corresponding allocation on the revenue side.

Library - \$102,915 covers the cost of the City's contract with Sno-Isle for 2007. The contract provides for retroactive billing to the previous year's services. There is an additional \$10,000 included in this line-item to cover the cost of the annexation ballot measure in 2008. The Snohomish County Auditor estimates the maximum cost of the ballot measure is \$5/voter (approximately \$10,000).

Parks - \$7,620 for allocated insurance costs and repairs to address risk factors. There are no other park expenses budgeted for 2008. City staff recommend leveraging the proposed volunteer program to address park issues. The school district is maintaining Osprey Park during soccer season. Other sports groups are paying field use fees on the "honor" system.

2007 Legislation that May Affect the Budget

Streamline Sales Tax

In recent years, the legislature has adopted a number of provisions necessary for Washington to conform with the Streamlined Sales Tax Agreement (SSTA). States that adopt this agreement receive payments from firms that have volunteered to collect and remit sales taxes on mail-order and Internet sales.

In 2007, the legislature adopted "destination-based" sourcing. Meaning that sales tax will be allocated on the basis of the destination of the sale rather than where the sale is made. Destination sourcing provides for full mitigation for the jurisdictions that will lose sales tax.

The State Auditor's Office estimates that Sultan will gain approximately \$11,000 in revenues in 2008 as a result of the change. City staff recommend **not** including this as a part of 2008 revenue estimates since 2008 will be the first year of implementation and the exact budget impact is unknown.

Local Option Fees for Transportation Benefit Districts

The legislature provided a new financing mechanism for transportation benefit districts. The legislative bodies of cities or counties may impose the first \$20 (out of a maximum fee of \$100) of the vehicle fee without voter approval.

Counties may use this authority first. They have 180 days, beginning July 22, 2007, to impose these revenue options countywide. To impose the fee, the county must form an interlocal agreement with 60 percent of the cities representing 75 percent of the incorporated population. A city in Snohomish County may not impose the fee before May 22, 2008.

No impact to the City of Sultan at this time. The City Council may consider this as an alternative for discussion in 2008.

Code City Interest Allocation Options

Code cities may now apportion some investment earnings from funds commingled for investment purposes to the general fund rather than the participating funds unless restricted by law (RCW 35.39.034). Utility funds, bond covenants or other provisions may require that the interest be allocated to the utility fund.

City staff recommend taking advantage of this opportunity where appropriate. This policy decision is included in the draft investment policies that will be in front of the City Council later this year.

2008 General Fund Budgeted Expenditures

Legislative	\$8,915.00
Executive	\$41,505.00
Finance	\$34,215.00
Grants	\$16,600.00
Legal	\$49,610.00
Civil Service	\$16,250.00
Other Services	\$63,788.00
Law Enforcement	\$905,428.00
Court	\$179,400.00
Emergency	\$1,433.00
Code Enf	\$31,250.00
Planning	\$219,465.00
Building	\$95,280.00
Public Health	\$700.00
Library	\$102,915.00
Park	\$28,620.00
Interfund Trans.	\$52,220.00
Total	\$1,847,594.00

