

**SULTAN CITY COUNCIL  
AGENDA ITEM COVER SHEET**

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ITEM NO: PH-2

DATE: October 23, 2008

SUBJECT: 2009 Capital Budget

CONTACT PERSON: Deborah Knight, City Administrator

**SUMMARY:**

This staff report presents the 2009 Capital Budget and lays the foundation for future discussion and adoption of the 2010-2015 Six-Year Capital Improvement Plan.

**STAFF RECOMMENDATION:**

Council discuss the proposed 2009 Capital project expenditures as outlined in Attachment A.

2009 Capital Budget

The attached 2009 Capital Budget outlines the proposed project expenditures and funding sources for the capital projects the City will be working on in the coming year. Capital project expenditures for 2009 must be included in the City's adopted 2009 Budget.

The policy question for the City Council is whether the capital projects, proposed expenditures, and revenue sources address the City's short- and long-range capital investment priorities. In other words, are these the projects Council wants to focus on in the coming year, are the expenditures adequate for the level of work, and are the funding sources appropriate? Attachment A includes the complete list of proposed projects and expenditures.

City staff have reviewed the proposed capital project expenditures against available revenues. Attachment A provides a detail of capital fund beginning balances for 2009, expected revenues for each fund, and the proposed project expenditures. The proposed expenditures are from existing and available resources. The ending fund balances are sufficient to start the 2010-2015 Capital Improvement Plan.

If projects and expenses proceed as planned the City should have approximately \$1,123,905 million at the beginning of 2010 to fund completion of on-going projects and add new projects to the list.

<b>2009 Funding Source</b>	<b>2009 Beginning Balance</b>	<b>Anticipated 2009 Revenues</b>	<b>2009 Total</b>
Real Estate Excise Tax 1	\$25,000	\$37,500	\$62,500
Real Estate Excise Tax 2	\$25,000	\$37,500	\$62,500
Transportation Impact Fees	\$350,000	\$26,350	\$376,350
Park Impact Fees	\$130,000	\$15,875	\$145,875
Sewer System Imp.	\$223,250	\$84,410	\$307,660
Water Utility Reserve	\$669,750	\$51,270	\$721,020
Surface Water Utility	\$0	\$50,000	\$50,000
Grants	\$1,197,521	\$445,000	\$1,642,521
Loans	\$0	\$0	\$0
Private Contributions	\$0	\$30,000	\$30,000
Building Maint. and Repair	\$20,000	\$35,000	\$55,000
<b>Total revenues</b>	<b>\$2,640,521</b>	<b>\$747,905</b>	<b>\$3,388,426</b>
Transfer Debt Service			<277,000>
<b>2009 Ending Balance</b>			<b>\$3,111,426</b>

### **Real Estate Excise Tax**

Sultan has levied two 1/4% real estate excise taxes. Each 1/4% should yield approximately \$37,500 in revenue annually. Currently the two 1/4% taxes are commingled. The revenue is allocated to the Capital Projects Fund.

The Revised Code of Washington 82.46 authorizes a real estate excise tax levy of 1/4%.

The Growth Management Act authorizes another 1/4% real estate excise tax to be used primarily for financing capital facilities specified in the City's capital facilities plan. Revenues from this tax must be used for financing capital facilities specified in the City's capital facilities plan.

### **The City Council created a separate Special Capital Projects Fund for REET 2 revenues in 2007.**

REET 2 (second 1/4% real estate excise tax revenue) funds are restricted and may only be used for the following:

- 1) The planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation or improvement of: streets, roads, sidewalks, street and road lighting systems, and storm and sanitary sewer systems, and
- 2) The planning, construction, reconstruction, repair, rehabilitation, or improvement of parks and recreation facilities.

	REET 1	REET 2
2009 Beginning Balance	\$25,000	\$25,000
2009 Revenues	\$37,500	\$37,500
<b>Total Revenues</b>	<b>\$62,500</b>	<b>\$62,500</b>

<b>2009 Expenditures</b>		
Debt Service for City Hall	\$62,500	\$62,500
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>

### Transportation Impact Fees

The Transportation Impact Fee collects fees from developers for transportation construction and engineering costs. The fee is based on the number of car trips a development will generate and how those trips will impact areas of the City. Impact fee revenue is dependent on the types and level of development within the City. The fee was increased in 2008 from \$1,837 per PM peak hour trip to \$5,272. The estimated revenue is \$26,350 and is based on 5 single family building permits in 2009.

### Park Impact Fees

The Park Impact Fee was established to set aside money for park facility planning, land acquisition, site improvements, construction, and engineering costs. The fee was increased to \$3,415 per residential and multi-family dwelling unit in 2006. In 2008 the fee was decreased to \$3,175 to account for one community park estimated to cost approximately \$15 million. The estimated revenue from this tax is expected to be \$15,875 and is based on 5 single family building permits in 2009.

	Transportation Impact Fee	Park Impact Fee
2009 Beginning Balance	\$350,000	\$130,000
2009 Revenues	\$26,350	\$15,875
<b>Total Revenues</b>	<b>\$376,350</b>	<b>\$145,875</b>

<b>2009 Expenditures</b>		
SBR Phase II close-out	\$25,000	\$0
Skate Park Phase II		\$30,000
<b>Ending Balance</b>	<b>\$351,350</b>	<b>\$115,875</b>

### Sewer System Improvement Fund

The Sewer System Improvement fund was established to fund construction, reconstruction, and expansion of sewer lines, treatment plants, and other related facilities and to reduce infiltration and inflow into the sewer treatment plant.

The City Council has made a policy decision that 60% of the revenues that come from new connection fees (general facility charge) will be dedicated to sewer system improvements. The remaining 40% of the fee will be used to pay for debt service. For example, 40% of the general facilities charge collected will be used to pay for the Public Works Trust Fund Loans borrowed to upgrade the existing waste water treatment plan.

The general facility charge increased to \$11,282 on January 1, 2008. The City anticipates collecting general facility charges for 5 building permits in 2009.

### **Water System Improvement Fund**

The Water System Improvement Fund is used for the construction, extension, repair and betterment of the municipal water system, and headworks and reservoir, or for the purchase of rights-of-way, and/or necessary land.

The fee to connect to the water system is \$5,254 per equivalent residential unit. The City anticipates 5 new connections in 2009 generating approximately \$51,270 in revenues.

The City is currently allocating \$500 of the water connection fee (water general facility charge) to debt service.

The City is completing a Water Rate Study to determine if adequate funding is available for future capital needs and debt service needs.

	Sewer Capital	Water Capital
2009 Beginning Balance	\$223,250	\$669,750
2009 Revenues	\$84,410	\$51,270
<b>Total Revenues</b>	<b>\$307,660</b>	<b>\$721,020</b>

<b>2009 Expenditures</b>		
Debt Service	\$0	\$152,000
2 <sup>nd</sup> Street waterline replacement		\$85,000
Sultan Basin Rd – waterline and PRV station closeout		\$25,000
Sultan River Crossing, 12" - Design only		\$25,000
Convert waterplant from chlorine gas to liquid		\$50,000
Inflow and Infiltration Rehabilitation	\$50,000	
<b>Ending Balance</b>	<b>\$257,660</b>	<b>\$185,000</b>

### **Surface Water Capital Reserve**

The Surface Water Reserve Fund will be established with surplus monies from the Surface Water Utility Fund for the planning, acquisition, construction, reconstruction, repair, rehabilitation, or improvement of surface water or stormwater facilities. The Utility will go into effect in January 2009. The City Council authorized \$50,000 from the utility fees to fund surface water capital projects. No projects are planned in 2009 in order to allow the fund to build sufficient revenues for future projects as identified in the Storm Water Quality Report adopted by the City Council in 2006.

	Storm Water Capital Reserve
2009 Beginning Balance	\$0
2009 Revenues	\$50,000
<b>Total Revenues</b>	<b>\$50,000</b>

<b>2009 Expenditures</b>	
Debt Service	\$0
<b>Ending Balance</b>	<b>\$50,000</b>

## Grants

The City will complete construction on a number of grant funded projects in 2007. However, final billing, project acceptance and the release of retainage, in accordance with state law, will keep the following projects on the books into 2009:

2 <sup>nd</sup> Street Reconstruction -	\$212,521	Community Development Block Grant
Light Guard Crossing -	\$100,000	Community Development Block Grant
Boys and Girls Club -	\$370,000	Community Development Block Grant
Food Bank -	\$ 75,000	Community Development Block Grant
Sultan Basin Rd Phase III -	\$365,000	

The City is working to build funding for Sultan Basin Road Phase III

Award	Year	Phase	Source
\$1,009,000	2006	Design and property acquisition	Puget Sound Regional Council - Transportation Improvement Board (PSRC-TIB)
\$250,000	2008	Design	Puget Sound Regional Council – Rural Town Corridors
\$500,000	2010	Construction	Surface Transportation Projects (Rural) – STP(R)
<b>Total \$1,759,000</b>			

## New Grant Applications for 2009

Although the City may receive grant funding in a particular year, it typically takes two years to complete the grant paperwork and begin the design process. Construction usually follows in the second or third year following the grant award.

### **Debt**

The City received a \$1,000,000 Public Works Trust Fund Loan in 2006 for engineering and design of the Waste Water Treatment Plant Upgrade.

### **The City will use operating funds to make the debt service payment.**

The Washington State Public Works Board offered the City of Sultan a \$1 million dollar pre-construction low interest loan for design of the Waste Water Treatment Facility. At the September 28, 2006 Council meeting, the City Council approved a 2% interest Public Works Trust Fund Loan (PWTF) with a 5% match over 5 years. The City's match is \$50,000 and will be paid from a combination of connection fees and private development funds. This is a five-year loan with interest only due in 2007. On the current work schedule, the City will have completed the loan draws by 2008 and will need to make Principal and Interest payments on the loan.

The next payment is a principal and interest payment due on June 1, 2009.

The City may convert to a loan when the project is closed out. The loan can be converted to a 20-year loan after the project goes to bid. Converting to a 20-year loan will reduce the City's annual loan payments.

The total cost for the design phase is \$1.8 million. To date the City has \$1 million in secured PWTF loan money. The design has been put on hold until additional revenues are available.

The City secured an \$500,000 from the state legislature. The funds will be used to purchase the biosolids handling equipment.

Since design, permitting and construction will take at least three years, the process of adding capacity needs to continue.

### **Private and Developer Contributions**

The City works receives contributions toward capital projects from private parties and developers. There is a place holder in the 2009 capital budget for improvements to the rail road crossing at Foundry Drive.

## **Building Maintenance and Repair**

The City Council directed staff to set aside funds for major building maintenance and repair. A new fund is proposed for this purpose. Funding will come from the Walser settlement and the Sultan Basin Road vacation.

Funding in 2009 will be used to repair and paint the post office and potentially fix the roof at the Food Bank if grant funds are unavailable.

### 2009-2014 Capital Improvement Plan

The capital budget should not be confused with the Capital Improvement Program (CIP). The capital budget represents the first year of the capital improvement plan. The capital budget is a city's annual appropriation for capital spending and is the legally adopted city budget. The capital budget authorizes specific projects and appropriates specific funding for those projects. The capital budget is usually adopted in conjunction with the city's operating budget and provides the legal authority to proceed with specific projects.

Projects and financing sources listed in the CIP for years other than Year 1 (years 2-6) are not authorized until the annual budget for those years is legally adopted. Years 2-6 serve only as a guide for future planning and are subject to further review and modification in subsequent years.

With approval of the proposed 2009 Capital Budget, the City will be ready to begin the process of evaluating and prioritizing projects for the 2010-2015 Capital Improvement Plan. The CIP is the tool for evaluating, planning and implementing the recommendations of individual studies such as the Industrial Park Master Plan, General Sewer Plan, Water System Plan, and Water Quality Report, and to meet concurrency requirements (public improvements made concurrent with growth) under the Growth Management Act. The City will need to begin the process of preparing the 2010-2015 Six-Year CIP in order to have capital project expenses and funding sources identified for the 2009 budget.

#### **RECOMMENDATION:**

Council discuss the proposed 2009 Capital project expenditures as outlined in Attachment A.

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#### **COUNCIL ACTION:**

**DATE:**

Capital Budget  
2009

2009 CIP Revenues/Expenditures

REET 1	REET 2	Trans	Impact	Park Impact	Fee	Sewer CIP	Water Utility Reserve	Surface Water	Grant	Debt	Contributions		Private	Maintenance and Repair	Rev Totals
											Building	Building			
<b>Beginning Balance 2009</b>															
	\$25,000	\$25,000	\$350,000		\$130,000	\$223,250	\$669,750	\$0	\$1,197,521	\$0	\$0	\$20,000	\$2,640,521		
<b>Revenues 2007</b>	\$37,500	\$37,500	\$26,350		\$15,875	\$84,410	\$51,270	\$50,000	\$445,000	\$0	\$30,000	\$35,000	\$747,905		
<b>Transfer Debt Service</b>	-\$62,500	-\$62,500					-\$152,000						-\$277,000		
<b>Total Revenues</b>	\$0	\$0	\$376,350		\$145,875	\$307,660	\$721,020	\$50,000	\$1,642,521	\$0	\$30,000	\$55,000	\$3,111,426		

Year Complete	2009 CIP Expenditures			2009 CIP Expenditures						
	Sultan	Grants	Total Project Cost	Engineering	Design	Construction	Property Buy	CIP Expense		
<b>Project Number</b>	<b>Motorized</b>									
	2nd Street Reconstruction - Reconstruct 750' of 2nd St. and reconstruct sidewalks and driveway ramps between Main St. and Birch St. Includes \$3,000 for PUD power and \$16,000 for in-house project management. No funding available for in-house management unless REET revenues exceed projections	2009	\$0	\$212,521	\$212,521	\$0	\$0	\$212,521	\$0	\$212,521
<b>T-54</b>	Railroad Crossing Improvements - Phase I Reconstruct Foundry Dr. crossing and approach ramps with BNSF RR. Phase I is crossing only. Phase II is approach ramps. Cost share with Twin Rivers development.	2011	\$30,000	\$20,000	\$50,000	\$0	\$5,000	\$45,000	\$0	\$50,000
<b>T-60</b>	Sultan Basin Rd Phase III - Extend SBR from US 2 to Cascade View Dr. Project includes property acquisition, design and construction.	2014	\$0	\$365,000	\$365,000	\$70,000	\$295,000	\$0	\$0	\$365,000
	Sultan Basin Road Sidewalk - Widen SBR from north of US 2 intersection to south of Timber Ridge development. Project includes sidewalks, PRV station (W-5) and water line replacement (W-4). Project started in 2008. 2009 Funding to release retainage and final misc. expenses	2009	\$25,000	\$0	\$25,000	\$0	\$0	\$25,000	\$0	\$25,000
	Sultan Basin Road Overlay - overlay SBR from Timber Ridge north to 132nd Ave. Includes \$20,000 for survey work and \$30,000 for in-house design work. No funding available unless REET revenues exceed projections.	2010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>NonMotorized</b>										
	CDBG light guard - Community Development Block Grant to install light guard crossing at elementary and middle schools. Includes \$15,000 for in-house project management. No funding available for in-house management unless REET revenues exceed projections.	2009	\$0	\$100,000	\$100,000	\$15,000	\$0	\$85,000	\$0	\$100,000
<b>Parks</b>										
	Skate Park Phase II - install 8' fence, entry way, bench and drinking fountain. Includes \$5,000 in in-house project management	2009	\$30,000	\$0	\$30,000	\$5,000	\$0	\$25,000	\$0	\$30,000
<b>Water</b>										
	2nd Street water line replacement - Install 8" ductile iron pipe, valves, fittings and connection on 2nd Street between Main Street and Birch Street.	2009	\$85,000	\$0	\$85,000	\$0	\$0	\$85,000	\$0	\$85,000
	6th Street water line replacement - Install 6" of 8" ductile iron pipe, valves, fittings and connections on 6th Street north of Alder Ave. Council cancelled project 10/09/08	2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>W-4</b>	Sultan Basin Road Waterline - Widen SBR from north of US 2 intersection to south of Timber Ridge development. Project includes sidewalks, PRV station (W-5) and water line replacement (W-4). Project started in 2008. 2009 Funding to release retainage and final misc. expenses	2009	\$12,500	\$0	\$12,500	\$0	\$0	\$12,500	\$0	\$12,500
<b>W-5</b>	Sultan Basin Road PRV Station - Widen SBR from north of US 2 intersection to south of Timber Ridge development. Project includes sidewalks, PRV station (W-5) and water line replacement (W-4). Project started in 2008. 2009 Funding to release retainage and final misc. expenses	2009	\$12,500	\$0	\$12,500	\$0	\$0	\$12,500	\$0	\$12,500
<b>W-7</b>	Sultan River Crossing, 12" force main - design only	2011	\$25,000	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$25,000
	Conversion of water plant from chlorine gas to liquid.	2009	\$50,000	\$0	\$50,000	\$10,000	\$0	\$40,000	\$0	\$50,000
<b>Sewer</b>										
	Waste water treatment plant short term improvements - Purchase and install biosolids handling equipment to improve dewatering capacity at the plant	2009	\$0	\$500,000	\$500,000	\$0	\$85,000	\$415,000	\$0	\$500,000
	Infill and Infiltration Study - remove data recorders, evaluate information and prepare report. In-house project.	2009	\$50,000	\$0	\$50,000	\$50,000	\$0	\$0	\$0	\$50,000
<b>Facilities</b>										
	Repair and paint post office building	2009	\$25,000	\$0	\$25,000	0	\$0	\$25,000	0	\$25,000
	Repairs and improvements to 705 First Street (Boys and Girls Club and Day Care Building). Joint project with Boys and Girls Club. Project contingent on Boys and Girls Club receiving CDBG funding.	2009	\$0	\$370,000	\$370,000	0	\$70,000	\$300,000	0	\$370,000
	Repair and improvements to 703 First Street (Food Bank). Joint project with Food Bank Project contingent on receiving CDBG funds.	2009	\$0	\$75,000	\$75,000	0	\$25,000	\$50,000	0	\$75,000
<b>TOTAL</b>			<b>\$345,000</b>	<b>\$1,642,521</b>	<b>\$1,987,521</b>	<b>\$175,000</b>	<b>\$480,000</b>	<b>\$1,332,521</b>	<b>\$0</b>	<b>\$1,987,521</b>