

CITY COUNCIL AGENDA ITEM COVER SHEET

ITEM NO: Consent Items C8, C9, and C10

DATE: November 13, 2008

SUBJECT: Establishment of New Funds

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

ISSUE:

The issue before the Council is the adoption of three ordinances to establish three new funds. The ordinances included are:

- A. Ordinance 1001-08 Cumulative Reserve Sewer
- B. Ordinance 1002-08 Cumulative Reserve Water
- C. Ordinance 1003-08 Building Maintenance Fund

SUMMARY:

The proposal before the Council is to establish three funds under Title 3 SMC.

- 1) A Building Maintenance Fund will be created to establish reserves and provide a funding source for repairs and improvements to municipal buildings.
- 2) A Cumulative Reserve fund will be established for the Water System (SMC 3.40 amended)
- 3) A Cumulative Reserve fund will be established for the Sewer System (SMC 3.24 amended)

There are two sections of the Sultan Municipal code regarding CR Reserve funds for water and sewer. SMC 3.24 was adopted in 1949 for the water fund and SMC 3.40 was adopted in 1974 as a combined reserve fund. The reserve fund is combined now and it is difficult to determine the amount of funds available for each system. Amendments will be made to SMC 3.24 and SMC 3.40 to provide for separate funds.

ALTERNATIVES:

- 1. Do not adopt the ordinances. This will require the City to continue to use the existing funds established in various sections of the SMC.
- 2. Adopt the ordinances to establish separate funds for the Water and Sewer Reserve accounts and establish a Building Maintenance Fund. This will allow the City to more efficiently track and account for revenues and expenditures for these funds.

STAFF RECOMMENDATION:

Staff recommends the adoption of the ordinances to establish the new funds.

MOTION:

- 1. Move to adopt Ordinance 1001-08 establishing a Cumulative Reserve Fund for the Sewer System.
- 2. Move to adopt Ordinance 1002-08 establishing a Cumulative Reserve Fund for the Water System.
- 3. Move to adopt Ordinance 1003-08 establishing a Building Maintenance Fund.

Attachments: A. Ordinance 1001-08 Cumulative Reserve Sewer
B. Ordinance 1002-08 Cumulative Reserve Water
C. Ordinance 1003-08 Building Maintenance Fund
D. SMC 3.24 and SMC 3.40 (Existing)

CITY OF SULTAN
SULTAN WASHINGTON
ORDINANCE 1001-08

AN ORDINANCE OF THE CITY OF SULTAN AMENDING
CHAPTER 3.24 TO ESTABLISH A CUMULATIVE RESERVE
SEWER DEPARTMENT FUND

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.24 of the Sultan Municipal Code is hereby amended to read as follows:

Chapter 3.24
Cumulative Reserve Sewer Fund

Sections:

- 3.24.010 Establishment and Purpose
- 3.24.020 Funding Sources
- 3.24.030 Expenditures - Policy and Procedures

3.24.010 Establishment and Purpose: There is hereby created a Cumulative Reserve Sewer Fund which shall be used for the purpose of accumulating reserve funding for capital improvements to the Sewer System.

3.24.020 Funding Sources: The funding source shall be system connection fees and excess funds from the Sewer operating fund.

3.24.030 Expenditures: Expenditures from the fund shall be made as appropriated and authorized in the City's annual operating budget. Funds must be used for capital purposes identified in a capital budget adopted by the Council annually.

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this 13th day of November 2008.

Carolyn Eslick, Mayor

Attest:

Laura J. Koenig, City Clerk

Approved as to form:

Margaret King, City Attorney

CITY OF SULTAN
SULTAN WASHINGTON
ORDINANCE 1002-08

AN ORDINANCE OF THE CITY OF SULTAN AMENDING CHAPTER 3.40
TO ESTABLISH A CUMULATIVE RESERVE WATER DEPARTMENT FUND

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.40 of the Sultan Municipal Code is hereby amended to read as follows

Chapter 3.40
CUMULATIVE RESERVE WATER FUND

Sections:

3.40.010 Establishment and Purpose.

3.40.020 Appropriations.

3.40.030 Allowable expenditures.

3.40.040 Purposes for betterment and not maintenance of utility system.

3.40.010 Establishment.

A. There is created and established a fund to be known as the water utility cumulative reserve fund.

B. Such fund shall be operated and controlled strictly as a water utility cumulative reserve fund and its income will be expended for the purposes described in this section through SMC 3.40.030.

3.40.020 Appropriations.

A. The water utility cumulative reserve fund shall receive and have appropriated to it, all of the net proceeds derived from the sale of timber located upon the city's real property known as the Sultan watershed.

B. "Net proceeds" means that portion of the income derived from the sale of such timber which remains after deducting the cost of removal of said timber through logging and hauling, the cost of maintaining and establishing appropriate notices required for the removal of such timber, the cost of management of said land, the cost of professional consulting services rendered in relation to the timber removal program established by the city of Sultan, and such other costs as may be reasonably deemed to be pertinent to the specific areas of expenditure described above.

C. Funds from received from connection fees and excess reserve from the water operating fund may be deposited to the CR water fund.

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3.40.030 Allowable expenditures.

A. The water utility cumulative reserve fund hereby established shall be utilized strictly for municipal purposes of providing funds to pay the cost in whole or in part for any betterments, improvements or extensions of the city's water utility system which the city

Council may deem necessary and proper. Funds must be used for capital purposes identified in a capital budget adopted by the Council annually.

3.40.040 Purposes for betterment and not maintenance of utility system:

It is the declared intention of the city council of the city of Sultan to specially set aside the income derived from the sale of timber from its watershed land to assist in the execution and construction, and not to expend such income for general maintenance and operation of the utility systems

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this 13th day of November 2008.

Carolyn Eslick, Mayor

Attest:

Laura J. Koenig, City Clerk

Approved as to form:

Margaret King, City Attorney

CITY OF SULTAN
SULTAN WASHINGTON
ORDINANCE 1003-08

AN ORDINANCE OF THE CITY OF SULTAN ADDING CHAPTER 3.18
TO ESTABLISH A BUILDING MAINTENANCE FUND

THE CITY COUNCIL OF THE CITY OF SULTAN DO ORDAIN AS FOLLOWS:

Chapter 3.18 of the Sultan Municipal Code is hereby added to read as follows:

Chapter 3.18
BUILDING MAINTENANCE FUND

Sections:

- | | |
|----------|--------------------------------------|
| 3.18.010 | Establishment and Purpose |
| 3.18.020 | Funding Sources |
| 3.18.030 | Expenditures - Policy and Procedures |

3.18010 Establishment and Purpose: There is hereby created a Building Maintenance Fund which shall be used for the purpose of funding repair and maintenance to municipal buildings.

3.43.020 Funding Sources: Funds may be appropriated from the operating funds as a part of the annual budget process to provide reserve funds in the account.

3.43.030 Expenditures: Expenditures from the fund shall be made as appropriated and authorized in the City's annual budget.

Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Effective Date: This ordinance shall be in full force and effect five days after publication as required by law.

REGULARLY ADOPTED this day of November 2008.

Carolyn Eslick, Mayor

Attest:

Laura J. Koenig, City Clerk

Approved as to form:

Margaret King, City Attorney

Chapter 3.24
CUMULATIVE RESERVE WATER DEPARTMENT FUND

Sections:

[3.24.010](#) Establishment – Statutory authority.

[3.24.020](#) Appropriation authorization.

[3.24.030](#) Accumulation and expenditure.

[3.24.040](#) Prohibited expenditures – Exceptions.

3.24.010 Establishment – Statutory authority.

There is established a fund to be known as the cumulative reserve water department fund, pursuant to the provisions of Chapter 60, Laws of 1941. (Ord. 205 § 1, 1949)

3.24.020 Appropriation authorization.

For the purpose of accumulating said fund, the city council shall be and is authorized to appropriate each year, at the time of the making and adoption of the annual budget of said city, an item of money for said fund, and to include said item in said annual budget each year, and they may allocate a fixed sum to be placed in said fund each month from water rents received for said fund. (Ord. 205 § 2, 1949)

3.24.030 Accumulation and expenditure.

The money placed in said cumulative reserve water department fund shall accumulate from year to year and shall be carried over each year into the new budget, and may be expended at such time as the council may by resolution direct for the purposes of 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. (Ord. 205 § 3, 1949)

3.24.040 Prohibited expenditures – Exceptions.

A. Any money in said cumulative reserve water department fund shall never be expended for any purposes other than that specified in SMC [3.24.030](#); provided, however, by an approving vote on a proposal submitted to the electors of the city of Sultan at a special election or a general election voting on a proposal submitted to said electors to allow other specified uses to be made of said funds or any part thereof.

B. In accordance with the provisions of Chapter 60, Laws of 1941, said approving vote must be made by a majority of the electors of the city. (Ord. 205 § 4, 1949)

Chapter 3.40
UTILITY CUMULATIVE RESERVE FUND

Sections:

Article I. General Provisions

[3.40.010](#) Establishment.

[3.40.020](#) Appropriations.

[3.40.030](#) Allowable expenditures.

[3.40.040](#) Purposes for betterment and not maintenance of utility system – Investment in other funds.

[3.40.050](#) Deposit of proceeds for 1974 timber sale – Expenditures.

[3.40.060](#) Certain transfers of funds prohibited.

Article II. Amendments

[3.40.070](#) Proceeds from watershed timber to reimburse current expense fund.

[3.40.080](#) Proceeds from watershed timber to reimburse garbage collection fund.

Article I. General Provisions

3.40.010 Establishment.

A. There is created and established a fund to be known as the utility cumulative reserve fund.

B. Such fund shall be operated and controlled strictly as a cumulative reserve fund and its income will be expended for the purposes described in this section through SMC [3.40.060](#) and will be derived from the sources designated in this section through SMC [3.40.060](#). (Ord. 333 § 1, 1974)

3.40.020 Appropriations.

A. The utility cumulative reserve fund established in this chapter shall receive and have appropriated to it, all of the net proceeds derived from the sale of timber located upon the city's real property known as the Sultan watershed.

B. "Net proceeds" means that portion of the income derived from the sale of such timber which remains after deducting the cost of removal of said timber through logging and hauling, the cost of maintaining and establishing appropriate notices required for the removal of such timber, the cost of management of said land, the cost of professional consulting services rendered in relation to the timber removal program established by the city of Sultan, and such other costs as may be reasonably deemed to be pertinent to the specific areas of expenditure described above; provided further, that such fund may receive income through appropriations from the city's utility fund or cumulative reserve

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water fund, if in the judgment of the city council such appropriations will serve the best interests of the city, and are necessary to provide for the execution of the purposes set forth in SMC [3.40.010](#) through [3.40.060](#). (Ord. 333 § 2, 1974)

3.40.030 Allowable expenditures.

A. The utility cumulative reserve fund hereby established shall be utilized strictly for municipal purposes of providing funds to pay the cost in whole or in part for any betterments, improvements or extensions of the city's utility system which the city council may deem necessary and proper.

B. Such betterments, improvements and extensions shall include, but not be limited to, water purification, storage, source development and improvement, additions and extensions to water pipelines which deliver water from the city's source to the system within said city, together with drains, dams, sewer pipelines and appurtenances, and such other betterments, improvements and extensions as may be appropriate to the purposes described in SMC [3.40.010](#) through [3.40.060](#). (Ord. 333 § 3, 1974)

3.40.040 Purposes for betterment and not maintenance of utility system – Investment in other funds.

It is the declared intention of the city council of the city of Sultan to specially set aside the income derived from the sale of timber from its watershed land to assist in the execution and construction of the purposes of SMC [3.40.010](#) through [3.40.060](#), and not to expend such income for general maintenance and operation of the utility systems; provided, that it is also the declared intention of the city council of the city of Sultan, that appropriations deposited to the utility cumulative reserve fund established in SMC [3.40.010](#) through [3.40.060](#) may be invested from time to time in other funds of the city, or in standard investments approved by the statutes of the state of Washington whenever the cash possessed by such fund is not immediately required to fulfill its specific and strictly municipal purposes. (Ord. 333 § 4, 1974)

3.40.050 Deposit of proceeds for 1974 timber sale – Expenditures.

A. All funds derived from the sale of timber by the city during the year 1974 shall be deposited to the utility cumulative reserve fund in accordance with the terms of SMC [3.40.010](#) through [3.40.060](#) as items of cash for which provision could not be made in the 1974 budget of the city of Sultan.

B. All such income shall be expended only to assist in the development and execution of the betterments, improvements and extensions of the city utility system which either are now being planned or may hereafter be approved by the city council of the city of Sultan; provided further, that such appropriations may be deposited directly to such fund by the city clerk/treasurer and need not be deposited first to the city's utility fund and thereafter transferred to the utility cumulative reserve fund in accordance with the terms of SMC [3.40.010](#) through [3.40.060](#). (Ord. 333 § 5, 1974)

3.40.060 Certain transferals of funds prohibited.

No funds shall be transferred to the utility cumulative reserve fund from the utility operation fund of the city, or from the cumulative reserve water fund until proper appropriations have been made as a part of the budget for the operation of the city of Sultan throughout the year 1975. (Ord. 333 § 6, 1974)

Article II. Amendments

3.40.070 Proceeds from watershed timber to reimburse current expense fund.

A. Notwithstanding the declared intention of the city council of the city of Sultan that the net proceeds from the sale of timber shall be paid into the utility cumulative reserve fund; SMC [3.40.010](#) through [3.40.060](#) are amended to the extent that the net proceeds from the sale of timber off of the watershed land shall hereafter be paid into the current expense fund until such time as the current expense fund has accumulated enough of these proceeds to pay back the principal and interest on a municipal loan made from the utility cumulative reserve fund to the current expense fund made for the purpose of purchasing a parcel of real property adjacent to the present City Hall, pursuant to Resolution No. 78-3.

B. After the current expense fund has paid back this loan, pursuant to Resolution No. 78-3, the proceeds from the sale of timber off of the watershed land shall again be paid into the utility cumulative reserve fund, as was done prior to the addition of this section. (Ord. 365 § 2, 1978; Ord. 333 § 8, 1974)

3.40.080 Proceeds from watershed timber to reimburse garbage collection fund.

A. Notwithstanding the declared intention of the city council of the city of Sultan that the net proceeds from the sale of timber shall be paid into the utility cumulative reserve fund; SMC [3.40.010](#) through [3.40.060](#) are amended to the extent that the net proceeds from the sale of timber off of the watershed land shall hereafter be paid into the garbage collection fund until such time as the garbage collection fund has accumulated enough of these proceeds to pay back the principal and interest on a municipal loan made from the utility cumulative reserve fund to the garbage collection fund made for the purpose of purchasing a new garbage truck, pursuant to Resolution No. 78-4.

B. After the garbage collection fund has paid back this loan pursuant to Resolution No. 78-4, the proceeds from the sale of timber off of the watershed land shall again be paid into the utility cumulative reserve fund, as was done prior to the addition of this section. (Ord. 373 § 1, 1978; Ord. 333 § 9, 1974)