

# SULTAN CITY COUNCIL AGEND COVER SHEET

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**ITEM:** PH-4  
**DATE:** November 11, 2008  
**SUBJECT:** General Fund Overview  
**CONTACT PERSON:** Deborah Knight, City Administrator

## **ISSUE:**

Attached is the 2009 General Fund Budget for the November 13, 2008 Public Hearing.

## **STAFF RECOMMENDATION:**

Review the materials prepared for the 2009 General Fund Budget. Hold a second public hearing on the 2009 Budget in accordance with RCW 35A.33.

Action Item A-4 introduces the 2009 Budget for First Reading. Second Reading is scheduled for December 13, 2008.

## **SUMMARY:**

The enterprise fund budgets for water, sewer, garbage, cemetery and stormwater and the debt service funds are provided under separate cover.

Following is a brief overview of the key changes to the General Fund budget since it was presented to the City Council at the public hearing on October 23, 2008:

### **Revenues**

1. The budget is balanced with a very modest ending fund balance of \$29,456.42 (Attachment A-47). The City will need to carefully monitor revenues and reduce expenditures if necessary. As in past years, our financial position on July 1, will be an important indicator. The staff recommendation is to limit expenditures in the first four months of the year until property tax receipts are received.

Attachment A details the sources of revenues and sources of expenses.

General fund revenues are broken into six categories:

	<u>2008 Amended Budget</u>	<u>Proposed 2009</u>	<u>% Change</u>
Taxes	\$1,349,558	\$1,423,765 <sup>1</sup>	+5.0%
License and Permits	\$69,500	\$29,450	-58.0%
Intergovernmental	\$312,466 <sup>2</sup>	\$189,571	-39.3%
Charges for Services	\$125,800	\$30,100	-43.2%
Fines and Penalties	\$65,250	\$67,150	+2.9%
Miscellaneous	\$107,444	\$107,494	0.00%
<b>Total</b>	<b>\$2,030,018</b>	<b>\$1,847,530</b>	<b>-9.2%</b>

2. Small Increases in Tax revenue assumptions. Staff evaluated tax revenue (property tax, sales tax, utility tax, etc.) assumptions for the last two years. Based on the two year average, tax revenues have been slightly adjusted upward. Attachment B shows the staff analysis and revenue adjustments. For example, Local and Retail Sales Taxes were approximately \$26,360/month in 2007 and \$25,889/month in 2008. The previous 2009 budget estimate was \$21,354/month. This seems low based on the last two years. Staff recommend increasing the monthly average to \$23,000 for 2009.

**Action Item A-8 proposed a 6% utility tax on the City's Stormwater Utility. This generates approximately \$6,000 in additional tax revenues.**

3. License and Permits/Charges for Services

The biggest change in the budget assumption is the severe reduction in planning (community development) and building permit revenue and associate changes for zoning fees, building plan review and building inspection.

The 2009 budget is built on the assumption the City will receive 5 single family residential building permits. These permits will be outside formal subdivision plats. The budget assumes no commercial development.

4. Investment Interest. 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.

In 2007 the City Council adopted a policy of allocating investment interest. Investment interest of \$42,500 (page A-2) is based on 2.38% this is a decrease from 5.0% anticipated in 2008. **Since the Budget Advisory Panel strongly**

<sup>1</sup> Taxes have increased by \$6,000 to reflect the addition of a 6% utility tax on stormwater. The additional revenues are included in the Garbage Utility pending the creation of the separate account.

<sup>2</sup> Includes \$121,998 in pass through grants offset by expenditures. Without grants = \$190,468

**recommends the City Council consider alternatives to using investment interest as a long-term source of revenue.**

## **General Fund Expense**

### 1. Cost of Living Adjustment

The City's bargaining agreement with the public works and clerical staff was ratified on October 9, 2008. The cost of living adjustment for the CPI-W June to June for the Seattle-Tacoma-Bremerton area will be 6.2%.

This will have a significant impact on service delivery in all areas of the City. As the cost of wages increases and revenues are below last year's actual, the City must reduce its expenditures for operations, maintenance and program delivery (Attachment C). Overall salaries and benefits have decreased as a result of using contract police chief and building inspector services.

The Mayor, City Council and Sultan community will need to carefully prioritize where to invest tax payers dollars to get the maximum value and return on investment.

### 2. Medical, Dental and Vision Coverage

Medical premiums will increase by 8.2 in 2008.  
Washington Dental Service no increase.  
Willamette Dental 8.7%  
Vision Service Plan no increase.  
Long Term Disability 25%-32% decrease

Medical premium increases will affect the public works and clerical workers contract currently under negotiation. A premium cost share agreement will help the City control rising health care costs.

#### 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.

## Operating Expenditures

The City Council, staff and community have identified a number of general fund expenses not included in the 2009 Preliminary Budget. These items have been incorporated into the General Fund for First Reading. These items include:

- Replacement of the copy machine - \$12,000
- Municipal Code update - \$3,000
- Snohomish County EDC membership - \$1,000
- Evidence Technician for the Police Department - \$7,500

Other changes to the 2009 Preliminary Budget were made to provide for a modest ending fund balance:

1. Executive. Staff deleted \$10,000 in professional services for labor negotiator to balance the 2009 budget. The City has approved a 3-year labor agreement with the Teamsters. The money won't be needed until 2010.
2. Finance. Salaries have increase from \$14,135 in 2008 to \$21,774 in 2009 as a result in a decline in grant projects to charge staff salary against the capital budget. The municipal code update has been split between all fund.
3. Grants and Economic Development. Economic Development (\$2,500) will go towards a grant assistance program for downtown businesses to improve the appearance of their building facades and exterior (cosmetic) improvements. Travel and Training was decreased from \$1,200 to \$850. The Volunteer Program will receive \$700 to support the appreciation dinner and other volunteer activities. The Snohomish County EDC membership has been added to the budget.
4. Civil Service Commission. \$3,000 Professional services budget for Civil Service Secretary support (10 hours/month at \$23/hour).
5. Other Governmental Services. No change
6. Law Enforcement. Reduced request for full-time law enforcement technician (police records specialist) to half-time. Salaries include \$36,000 in patrol overtime. Professional Services include contract chief \$121,000 plus \$10,000 in county patrol back-fill (overtime).

The Evidence Technician was added by reducing Vehicle O/M from \$33,000 to \$25,000 which was the staff estimate built on \$4.33/gallon fuel costs. Budget includes \$117,000 COPS grant just received for surveillance and computer equipment at the police department.

The civil service and law enforcement budgets will be reduced if the Council authorizes the Mayor to sign the ILA with Snohomish County for Police Services. Staff recommend setting aside any "savings" from the police contract into the contingency fund.

7. Law Enforcement Agency Fees. Sno-Pac will increase from \$71,000 to \$78,000. Jails fees anticipated to increase from \$100,000 in 2008 to 120,000 in 2009. Currently the City is spending approximately \$12,000/month.

Law Enforcement Agency Fees will not change as a result of the ILA with Snohomish County for police services.

8. Code Enforcement. Retains half-time animal control officer. City staff recommend not hiring this position until the city's revenue position is evaluated in July and sufficient funds are available. Attachment D-24
9. Planning and Development. Hearing examiner fees (\$7,500) based on 5 land use permits. Professional Services will decrease from \$139,900 initial request to \$65,000 to cover streamline permitting (\$18,000); 2008 comprehensive plan debt (\$30,000); 2011 Comprehensive Plan Update (\$25,000) for a statistically valid survey. Code Update funds (\$45,000) and File Management (\$6,000) have been removed from the final draft budget.
10. Building and Community Development. Building inspection and plan review services have been outsourced to Snohomish County. Salaries and wages were reduced from \$80,273 which included an in-house building inspector to \$20,000 for only the permit technician position. Professional services include the outsourced building inspector. Fire Marshall services were scaled back to plan review and building inspection. The annual fire inspection program was deleted in the final draft budget. Flood Management Community Rating System was reduced from \$18,000 to \$5,000. Flood inspection and certifications will be handled by Snohomish County through the professional services contract. The \$5,000 will be used to respond to the required annual audit to maintain the City's CRS rating.
11. Library. There is funding for building insurance, repair and maintenance and utilities. Sno-Isle library does not pay to lease space in the community center. The "savings" from the library has been allocated to the Law Enforcement budget.
12. Parks and Recreation. Salaries were increased from \$15,000 in 2008 to \$29,345 in 2009 to include temporary summer help for mowing and maintenance. A portion of the City's regular full-time public works crew members are also allocated to parks. There is an operating transfer out to the Equipment Replacement Fund to fund half a mower. The other half will be allocated from the Street Fund and Cemetery Fund.
13. Interfund Loan. The interfund loan payment and interest (\$45,000) is shown as a separate expenditure in the General Fund. The City will begin to make the payment twice yearly after property taxes are paid.