

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: Consent C 2
DATE: April 23, 2009
SUBJECT: Council Meeting Minutes

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

SUMMARY:

Attached are the minutes of the July 9, 2009 Public Hearing on the 2009 Budget amendments as on file in the office of the City Clerk.

RECOMMENDED ACTION:

Approve as submitted

MOTION: Move to accept the consent agenda as presented.

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2009 Budget Amendments: The public hearing on amendments to the 2009 budget was opened by Mayor Eslick. Councilmembers present: Champeaux, Wiediger, Slawson, Flower, Blair and Davenport-Smith. Absent: Beeler

Staff Report: Staff report was presented by Laura Koenig, Deputy Finance Director.

As issues have come up during the first six months of the year, the City Council has approved expenditures not included in the adopted 2009 budget. The following funds need to be amended:

001 - General Fund

The following is a list of items that need to be considered in the budget amendment:

1) Interlocal Agreement - 800 MHz Operation & Maintenance	\$ 13,300	
2) Professional Service Agreements:		
• Financial Review	\$ 4,500	
• Matt & Associates (Personnel)	\$ 1,500	
• AMEC (PUD contract)	\$ 5,000 (Split with other funds)	
• Perteet/Dugan (Comp Plan)	\$ 8,000	
• Hazard Mitigation Plan	\$ 2,000 (Split with other funds)	
3) Legislative Travel Costs	\$ 3,000	
4) Records Management grant	\$ 4,488 (Grant funded)	
5) Civil Service Costs (final)	\$ 4,683	
6) Law Enforcement Costs	\$ 34,335	
7) Fund transfer to Community Development Fund	\$ 2,000	
SUB TOTAL - Cost incurred		\$82,806
8) Latimore Project Contract amend	\$ 13,000	
9) IT Services and Server Backup	\$ 4,000	
10) Springbrook Upgrade	\$ 6,000	
SUB TOTAL - Discretionary		\$23,000
TOTAL		\$105,806

The discretionary items on the list are the Latimore project, IT server backup and the Springbrook upgrade. These items could be deferred until later in the year if funds are available or could be included in the 2010 budget.

The interfund transfer from the Police Vehicle fund (\$13,300) and reimbursements from Sno-Isle for library utility bills in 2008 and 2009 and the Sheriff's Office for phone, gas and utilities bills incurred during the transfer (\$15,880) are the only additional revenues anticipated. There is a small balance on the Records Management Grant (\$1,100) expected by July 31, 2009.

The total increase in expenditures without the discretionary items is \$75,987. Based on the anticipated revenues of \$1,978,642 and total expenditures of \$2,013,985, there is a \$35,343 difference. The fund had a beginning balance of \$94,726.

The contract with AMEC and the hazard mitigation plan will be shared costs with the General, Street and Enterprise funds.

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Staff Recommendation:

- 1) Amend the budget for revenues (\$30,380) and incurred costs (\$75,987).
- 2) Post amending the budget to include the \$23,000 discretionary costs including IT services, Latimore project and Springbrook until staff has had the opportunity to review costs and potential funding sources. Staff will return to Council with a discussion of discretionary expenditures in August.

101 Street Fund:

The Street Fund has a negative balance of (\$8,541). This fund has limited funding sources and has struggled for the last two years. The Council needs to consider other funding options such as a portion of the 1% allocated to the police vehicle fund as suggested by Mr. Gerry Gibson at the Council meeting on May 18, 2009. This matter was discussed at the June 11, 2009 Council meeting and staff was directed to provide Council with a recommendation on allocation of this moneys. This 80% allocation of the funding could be used to perform routine street maintenance such as grading, patching, stripping and to fund equipment needed by the Street Fund. The estimated cost to grade and repair gravel streets is \$16,000. Based on the recommended allocation, this would provide \$50,000 in 2010.

106 Police Equipment Reserve Fund: This fund was established to provide a revenue source for the purchase and repairs to Police vehicles. The current revenue source is 1% of the 6% tax imposed on electrical, gas and telephone utilities. The approximate revenue budget for 2009 is \$61,893. The current balance in the fund is \$104,247. This would be transferred to the General, Street, Equipment and Building funds.

The Police contract with the County provides for the purchase and replacement of vehicles and this fund will not be needed to replace police vehicles. The City received a billing from Snohomish County in the amount of \$13,300 for the 800 MHZ O & M Assessment. This was not a budgeted expense for 2009.

Recommendation: Staff recommends a budget transfer from the equipment fund to the General Fund to cover the \$13,300 for the 800 MHZ assessment payment. Further, Staff recommends that the balance of money in this Fund be split between the Street Fund (80%), Building Maintenance fund (10%) and the Equipment Replacement fund (10%) for Public Works after the deduction for payment due under the Interlocal for the 800 MHZ communication system is made.

105 Park Improvement Fund

The City received a FEMA grant for \$278,000 to purchase and demolish property located on Alder Street. The grant was not included in the 2009 adopted budget.

109 Community Service Fund

The Graffiti Abatement grant is being tracked thru the Community Service Fund. Shortly after the equipment was purchased, part of the equipment was stolen. The insurance deductible of \$1000 was paid by the City.

The Safe Stop program runs on the same fiscal year as the School District and the billing received by the City for the last part of 2008 was received in 2009. There was a balance in the fund to cover the expense. An operating transfer of \$2,000 from the General Fund will be needed to cover the additional cost for the grant.

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Police Bond Fund: This fund has been discussed several times in 2009. There are no other expenditures to be made that comply with the terms of the bond. In February 2008, the City purchased a gun safe from this fund for \$1,900. The safe was declared surplus on February 26, 2009.

The City pays approximately \$30,000 per year in bond principal and interest payments. These funds are generated by assessing additional property taxes. The \$10,126 would be used to reduce the amount of assessment in the final year of the scheduled bond payments.

Recommendation: Transfer the remaining \$8,337 to the Police GO Bond Fund to provide funds for payments on the Police Bonds. Use the funds received from the sale of the safe to provide funds to make payments on the police bonds.

413 Sewer Debt Service Fund: The Sewer Debt Service Fund's total loan payments for 2009 total \$512,016. The original budget was \$378,186. The closeout of the PWTF for the design work on the Wastewater Treatment Plant increased the annual payments on the \$1 million loan. Pre-construction loans must be repaid in 5 years and this is year three. The interest rate was reduced from 2% to .5%, however the balance of the principal (\$945,000) must be paid over the next three years.

There has been an increase in the number of new connections anticipated for the year. The total shortfall on the fund is \$16,163. The Council will need to determine if these funds will be transferred from the Sewer operating fund or the Sewer reserve fund. Staff recommends using the Sewer reserve fund as the operating fund is already contributing \$375,000 towards debt service.

The policy issue for this fund is the source of funding for the \$16,193. The options available to the Council are:

- 1) Increase the amount paid by existing customers. This is current \$375,000.
- 2) Use reserve funds to pay the difference.
- 3) Anticipate two more connections to cover the difference.

Staff recommends budgeting funds from the reserves instead of increasing the cost to existing customers. Connection fees will be used for debt service if they are available.

STAFF RECOMMENDATIONS:

General Fund:

- 1) Amend the budget for revenues (\$30,380) and incurred costs (\$75,987).
- 2) Post amending the budget to include the \$23,000 discretionary costs including IT services, Latimore project and Springbrook until staff has had the opportunity to review costs and potential funding sources. Staff will return to Council with a discussion of discretionary expenditures in August.

Street Fund:

Approve the budget amendments recommended and allocate a portion of the utility tax collected on electrical, gas and phone services to the fund for the balance of the year.

Police Equipment Reserve Fund

Staff recommends a budget transfer from the equipment fund to the General Fund to cover the \$13,300 for the 800 MHZ assessment payment. Further, Staff recommends that the balance of money in this Fund be split between the Street Fund (80%), Building

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Maintenance fund (10%) and the Equipment Replacement fund (10%) for Public Works after the deduction for payment due under the Interlocal for the 800 MHZ communication system is made.

Police Bond Fund

Transfer the remaining \$8,337 to the Police GO Bond Fund to provide funds for payments on the Police Bonds. Use the funds received from the sale of the safe to provide funds to make payments on the police bonds.

Sewer Debt Service Fund

Staff recommends budgeting funds from the reserves instead of increasing the cost to existing customers. Connection fees will be used for debt service if they are available.

Public Comments:

None

On a motion by Councilmember Slawson, seconded by Councilmember Champeaux, the public hearing was closed. All ayes.

Carolyn Eslick, Mayor

Laura Koenig, City Clerk